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# ***Daily Report***

## **China**

**FBIS-CHI-88-143**  
**Tuesday**  
**26 July 1988**

# Daily Report

## China

FBIS-CHI-88-143

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## General

### UN Concerned Over Chemical Warfare in Gulf

OW2607051588 Beijing XINHUA in English  
0010 GMT 26 Jul 88

[By Lei Lili]

[Text] United Nations, July 25 (XINHUA)—Members of the Security Council today showed their profound concern with the repeated use of chemical weapons in the Iran-Iraq conflict and called again on the two warring states to "exercise maximum restraint."

"Members of the council are profoundly worried and concerned with the repeated use of chemical weapons in the conflict," Paulo Nogueira-Batista, president of the council for the month of July, told reporters following the council's consultations on an Iranian complaint against Iraqi use of chemical weapons.

Any alleged use of chemical weapons will be clarified in the on-going investigation, he said, referring to a U.N. mission sent last week by Secretary-General Javier Perez de Cuellar to look into the status of prisoners of war in both Iran and Iraq.

Members of the council began meetings this morning as requested by Iranian Ambassador Mohammad Ja'afar Mahallati to "consider the new Iraqi massive use of chemical weapons."

The Iranian diplomat, in a letter to the council president, also asked the council "to take immediate and necessary measures" to implement the council's Resolution 598, which was adopted last year and now accepted by both Iran and Iraq calling for an immediate ceasefire in the eight-year Gulf war.

"At this stage, we are asking both parties to exercise maximum restraint as related to any military activities so as to create a proper climate for the negotiations on a D-day" for implementing Resolution 598, the president said.

He said that he will raise the question of chemical warfare to both Iranian and Iraqi foreign ministers when they come to New York.

Iranian Foreign Minister 'Ali Akbar Velayati is expected to arrive in New York this afternoon and Iraqi Foreign Minister Tariq 'Aziz is arriving here sometime tomorrow to have separate discussions with the secretary-general on measures to implement Resolution 598.

"I am also prepared to see them and on behalf of the council to state the council's proposal to both of them," said Nogueira-Batista.

Asked what time he thinks the ceasefire would be implemented, the president said that the expectation is "in ten days from now."

The members of the council think "in ten days, it would be possible for him (the secretary-general) to announce the D-day," he added.

A U.N. technical team is on its way to the Gulf to consult with both Iranian and Iraqi Governments on details about the D-day. The secretary-general said last week that once he gets the report of the team, which is expected to arrive in Tehran today and later heading to Baghdad, he will declare the D-day for a ceasefire."

### UN Head To Propose Direct Iran-Iraq Talks

OW2607021988 Beijing XINHUA in English  
2346 GMT 25 Jul 88

[By Lei Lili]

[Text] United Nations, July 25 (XINHUA)—U.N. Secretary-General Javier Perez de Cuellar today indicated that he would propose direct talks between Iran and Iraq if both are ready.

"I am hopeful that we can at certain stage, we have certainly contemplated direct talks," said the secretary-general when answering questions at the entrance of the Security Council where he later met with members of council on Iran-Iraq war. [sentence as received]

"I thought it was better for me to initiate the exercise with a dialogue," the secretary-general said.

However, he said, "we have to be in some way realistic, and to understand that it is perhaps a little early to ask for direct talks."

The U.N. chief's remarks came at a time when both foreign ministers of Iran and Iraq are expected to arrive here today or tomorrow for separate talks with the U.N. chief on implementation of Security Council Resolution 598, which calls for an immediate ceasefire between the two warring Gulf nations.

Last Monday, Iran, after one year of delay, announced to officially accept the resolution and urged its immediate implementation.

One day later, Iraq, which had previously accepted the resolution and now is holding an upper hand in the war, proposed direct talks with Iran. Iran rejected the Iraqi proposal and charged Iraq with blocking the implementation of the resolution by putting preconditions.

Asked if Iran would reject direct talks if he proposes such talks, the secretary-general said today that "it depends if I have the sense of the timing." "It is a matter of finding the right time for proposing the direct talks," he stressed.



Direct talks are "something I cannot impose on the parties," he said. "The Iranians are not yet prepared to have direct talks. That is why we have to be prudent and not force things," he added.

He said his talks with both Iranian and Iraqi foreign ministers will take place on Wednesday. "They will be coming in, not on different days but at different hours," he added.

### **USSR Proposes Plan for Missile Inspection**

*OW2407014188 Beijing XINHUA in English  
0027 GMT 24 Jul 88*

[Text] Washington, July 23 (XINHUA)—U.S. and Soviet inspectors will be allowed unprecedented access to each other's bomber bases, strategic naval ports and military ships under a newly-unveiled plan by the Soviets for verifying limits on nuclear-armed Cruise missiles.

According to THE WASHINGTON POST today, the proposal calls for permanently stationing teams of U.S. and Soviet inspectors outside factories in each other's countries where Cruise missiles are produced, where their warheads are installed and where the weapons are loaded onto submarines and other ships.

The Soviet plan also calls for periodic inspection of military bases where long-range aircraft are equipped with Cruise missiles, and short-notice inspections of unrelated sites where Cruise missiles are strongly suspected of being illegally stored.

The plan was disclosed by Soviet Foreign Ministry Disarmament Chief Viktor Karpov and senior arms control adviser on the military's General Staff Col. Gen. Nikolay Chervov in separate interviews with the POST.

The Soviet officials said that Soviet leader Mikhail Gorbachev still wants to sign, with President Ronald Reagan, an agreement on a 50-percent reduction of strategic nuclear arms (START), which includes these inspection rights to verify each side's compliance.

The officials said the Reagan administration has thus far blocked the plan because of Naval and Air Forces' resistance to the proposed Soviet inspections.

The Soviet officials called on Reagan to "make a political decision" in the next six weeks to overrule the military on the question of a strategic arms agreement.

The United States and the Soviet Union have sharp differences over the air- and sea-launched Cruise missile issue, related to the START agreement which is under negotiation.

The United States, which is ahead of the Soviet Union in the development, production and deployment of Cruise missiles, maintains that the weapons should not be tightly limited because they are far less threatening than

ballistic missiles. It also argues that the relatively small missiles can be secretly produced and illegally stored aboard ships and submarines, or in warehouses.

But the Soviet Union strongly rejects both views of the United States. Soviet officials indicated that they will rather pursue a strategic arms treaty with Reagan's successor than sign one that lacks tight Cruise missile constraints.

The Soviet Union recently proposed a ceiling of 1,000 sea-launched Cruise missiles, allowing each side to decide how many will be equipped with nuclear warheads, Karpov was quoted as saying.

Moscow also proposed that U.S. strategic bombers be counted as carrying the maximum possible number of air-launched Cruise missiles.

### **U.S. Inspectors See Soviet Destruction of SS-20**

*OW2307230488 Beijing XINHUA in English  
1411 GMT 23 Jul 88*

[Text] Moscow, July 23 (XINHUA)—A team of American inspectors witnessed on Friday the first destruction of a Soviet SS-20 medium-range missile, the official Soviet news agency TASS reported today.

The missile was dismantled at 0905 Moscow time at the Kapustin Yar test site in the Volgograd region in the presence of the U.S. verification team headed by Naval Captain John Williams.

The team conducted three days of checks of original data handed to the Americans following ratification of the superpower treaty banning intermediate-range nuclear forces (INF) which took effect last month.

Williams was quoted as saying that the U.S. inspectors verified both the number of SS-20 missiles based at Kapustin Yar and their technical specifications and found that their checks matched the Soviet data.

### **U.S. Wants USSR Radar Station Closed**

*OW2307025688 Beijing XINHUA in English  
1450 GMT 22 Jul 88*

[Text] Geneva, July 22 (XINHUA)—The United States urged the Soviet Union to close down its radar station in eastern Siberia Thursday at a meeting between U.S. and Soviet delegates here Thursday.

Terry Shroeder, spokesman for the U.S. arms control delegation, charged that the Soviets are preparing only to dismantle some of the station's equipment, but not the radar itself.

He called the station a violation of the ABM Treaty and demanded it be shut down immediately without any conditions.

However, Viktor Karpov, head of the Soviet Foreign Ministry's Arms Control and Disarmament Directorate, said on Tuesday that the Krasnoyarsk Radar Station would not be dismantled unless the United States promised to extend the 1972 Anti-Ballistic Missile (ABM) Treaty by at least 10 years.

In October, the two countries are expected to conduct an annual review of the ABM Treaty, and the Reagan administration is reported to be divided on whether to charge that the radar station is a "material breach" of the pact.

### United States & Canada

#### U.S. Confirms Private Military Meeting on Angola

OW2607021788 Beijing XINHUA in English  
2355 GMT 25 Jul 88

[Text] Washington, July 25 (XINHUA)—Military officials from Angola, Cuba, South Africa, and the United States met privately last week in the Cape Verde Islands off the African coast in an effort to work out a peace accord for southwestern Africa, the State Department confirmed today.

Spokesman Charles Redman said the July 22-23 meeting represented "a continuation of the military-to-military exchanges" that had taken place in London, Cairo, and New York between the four parties.

He said these talks are "a complement" to the wider Angola-Namibia diplomatic negotiations under way for a withdrawal of Cuban and South African troops from Angola and independence for Namibia.

"We expect that these military discussions will continue at the next meeting of senior officials of all parties to begin in Geneva on August 2nd," Redman said.

According to the spokesman the Cape Verde military talks were mediated by James Woods, the U.S. deputy assistant secretary of defense for international security affairs and a member of Assistant Secretary of State Chester Crocker's negotiating team who took part in the London, Cairo, and New York meetings.

The 4-party negotiations in New York produced on July 20 an agreement in principle for the withdrawal of foreign troops from Angola and independence for neighboring Namibia, which has been ruled by Pretoria for 73 years.

#### U.S. Accepts USSR Assurance on Afghan Withdrawal

OW2607055888 Beijing XINHUA in English  
0017 GMT 26 Jul 88

[Text] Washington, July 25 (XINHUA)—The United States has no indication that the Soviets are reintroducing troops into Afghanistan and it understands that the Soviet troop withdrawal from that country is continuing, the State Department said today.

On Saturday, Pakistani President Mohammad Ziaul Haq said he had received reports that the Soviets "decided not only to stop their withdrawal, but they have also brought in something like 10,000 troops back from the Soviet Union into Kabul because Kabul was under threat."

In Moscow, the chief of the Soviet General Staff, Marshal Sergey Akhromeyev, rejected the charge as "pure slander" and said the Soviet withdrawal was "proceeding in full accordance" with the Geneva accords.

The accords require the departure of half the 115,000 Soviet troops from Afghanistan by August 15, and the remainder by February 15, 1989.

Asked to comment on these reports at a regular briefing, State Department Spokesman Charles Redman said today, "Marshal Akhromeyev made a statement, which we accept as authoritative, that the withdrawal is continuing."

The spokesman added, "We fully expect the Soviets to honor their obligation under the Geneva accords, to have half their troops out of Afghanistan by August 15th."

"There is no reason that the Soviets can't meet that deadline," Redman said. "We'll be cautious in watching what's happening and keep things under close attention."

#### U.S. Rejects Soviet Inspectors as Spies

OW2307130488 Beijing XINHUA in English  
0713 GMT 23 Jul 88

[Text] Washington, July 22 (XINHUA)—The United States rejected eight Soviet missile inspectors suspected as spies, the LOS ANGELES TIMES reported Friday.

The United States took the eight out from a list of 200 inspectors proposed by the Soviet Union for verification of the INF missile treaty signed last December between the two countries.

The eight were refused during a screening process, before 22 Soviet treaty inspectors arrived earlier this month, the newspaper said.

The officials of the Reagan administration, who asked not to be identified, confirmed the newspaper report and said the eight were struck because of their intelligence activities in the past and the United States did not want them poking around the bases at home as well as in Europe, gathering intelligence on the pretense of counting INF weapons.

The TIMES said, at least seven of the eight rejected men, who have been scheduled for brief visits to other U.S. missile storage or basing sites, were proposed by the Soviet Union as permanent inspectors at Hercules Plant No. 1 in Magna, Utah.



U.S. officials consider the Hercules plant as the most susceptible to technical and human intelligence gathering barred under the INF Treaty, the paper said.

The newspaper said also that though the United States mentioned the previous intelligence activities of the eight rejected inspectors, those actions had not necessarily been directed against the United States.

Under the INF Treaty, the Soviets are to inspect 26 sites in the United States and West Europe, and the U.S. teams are to inspect 133 Soviet missile sites.

**U.S. Ready for Talks With Iran on Hostages**  
*OW2607034888 Beijing XINHUA in English*  
2341 GMT 25 Jul 88

[Text] Washington, July 25 (XINHUA)—President Ronald Reagan said today that the United States is ready to talk to the Iranians about the fate of nine American hostages held in Lebanon "if they're ready."

At a White House ceremony this afternoon, Reagan was asked "Are you ready to talk to Iran about the hostages?" And he said, "If they're willing and ready to talk, it's time."

Meanwhile, Presidential Spokesman Marlin Fitzwater said that the United States has been "interested in a dialogue" with Iran on the hostage situation, but "we are yet to receive any kind of indication that Iran wants a dialogue from any responsible, authoritative member of their government."

At a White House regular briefing, Fitzwater said the United States is "hopeful that the cease-fire (in the Iran-Iraq war) will lead to an improving relationship (with Tehran)." Last week, Iran agreed to accept United Nations Security Council Resolution 598 calling for a cease-fire in the Gulf war.

"But that does not diminish the fact that we will only have a dialogue with authoritative representatives of the (Iranian) Government, and that has not occurred," the spokesman said.

At the State Department, spokesman Charles Redman said the U.S. is "willing to talk with an authoritative and responsible representative of the Government of Iran and to discuss the differences between our two countries, especially the issues involving the Iran-Iraq war, terrorism and the hostages."

Redman also said the United States will "take it into consideration" if Iranian Foreign Minister 'Ali Akbar Velayati, who is arriving in New York to discuss Resolution 598 with U.N. officials, expressed an interest in meeting with U.S. officials.

Fitzwater confirmed today that a new U.S. message was sent last week to Iran through a third country, indicating "our satisfaction with their acceptance of 598." "But we have not received a response," he said.

Concerning the U.S. position on the hostages, Fitzwater said, "Our position remains the same, that we're always available to talk, any time, any place, about the safety or release of the hostages, but we will not negotiate for them, and we don't anticipate any negotiations."

"We won't negotiate, we won't pay ransom, we won't talk quid pro quos, we won't give or take," the spokesman said, adding "the answer to the release of the hostages is to release them."

**Soviet Union**

**Nakasone-Gorbachev Talks Indicate 'New Trends'**  
*OW2507134088 Beijing XINHUA in English*  
1140 GMT 25 Jul 88

[ "New Trends in Japan-Soviet Relations (by Yao Li)—XINHUA headline ]

[Text] Tokyo, July 25 (XINHUA)—Former Japanese Prime Minister Yasuhiro Nakasone's five-day visit to the Soviet Union last week, and his talks with Soviet leader Mikhail Gorbachev last Friday, indicate new trends in Japanese-Soviet relations, analysts say.

Despite being ~~out~~ of national office, Nakasone's visit to the Soviet Union has drawn wide public attention, because as a leader who recommended his successor, the former prime minister still has a special influence on the cabinet of Prime Minister Noboru Takeshita.

That being the case, the Soviet Union extended the invitation to Nakasone in the hope that the former prime minister can play a role in opening new channels in the strained Soviet-Japanese ties.

According to reports from Moscow, Gorbachev made it clear to Nakasone that there was no change in the Soviet Union's willingness to improve relations with Japan.

The Soviet leader also said that "the Soviet Union is ready to enlarge its exchange with Japan in the political, economic, scientific and technological fields.

His Japanese guest also was told that Soviet Foreign Minister Eduard Shevardnadze can visit Tokyo this year, and that Gorbachev himself also wants to visit Japan as soon as possible.

Tokyo issued a swift positive response to the Soviet intentions. The Japanese Foreign Ministry has agreed to invite the Soviet foreign minister to Tokyo. Details of the visit will be arranged when the foreign ministers of the two countries meet in September at the United Nations General Assembly in New York.

For years, the Soviet Union has regarded improved relations with Tokyo as part of the readjustment of its Asian policy, and a means of paving the way for the development of its Far East Asian region.

After the United States had actively eased tensions with the Soviet Union, Japan also wanted to improve the current Japanese-Soviet relations which are at a low ebb.

Japan considered that the deadlock in the relations is unfavorable to the implementation of the current Japanese foreign policies aiming at having more say in international affairs.

It also planned to urge Moscow to make compromises on the Japanese northern territory issue by making use of the detente situation between the East and the West and the Soviet Union's eagerness to improve its relations with foreign countries.

So during his inspection to the northern territory of Japan last April, Japanese Foreign Minister Sosuke Uno said that "it is necessary to strengthen the dialogue between Japan and the Soviet Union", "Japan gives the active comment on the appropriate trends in the Soviet foreign policy." [sentence as received]

In May, the Japanese Government supported the successive visits to Moscow by leaders of two large opposition parties and talks between the Soviet Government and various organizations of Japan. The visit of former prime minister and his talks with Soviet leader Mikhail Gorbachev is a good opportunity for both sides to express common wish.

But in the past talks of both sides, the Soviet Union still held an uncompromising stand on the northern territory issue and Japan also kept on requesting that the Soviet Union must return the four islands in northern Japan before signing a Japan-Soviet peace and friendship treaty.

Although there is no flexible sign in the major obstacle to improving the relations between the two countries, Japan has put on its agenda the visit of Soviet foreign minister this year and Soviet leader Gorbachev has made clear his hope to visit Japan. All these signaled that the Japanese-Soviet relations have limitedly improved.

Whether the Soviet leader can realize his first visit to Japan and the relations between the two countries can improve or not depends on the upcoming discussions on the visit of Soviet foreign minister and the result of the regular talks between the two foreign ministers which will resume soon after breaking off for two years.

## Northeast Asia

**Roundup Finds Improvement in Trade With Japan**  
*OW2507182788 Beijing XINHUA in English*  
1330 GMT 25 Jul 88

["Roundup: China Trade Picture With Japan Looking Brighter" (by XINHUA correspondent Li Lubo)—XINHUA headline]

[Text] Beijing, July 25—China's exports to Japan were up significantly in the first half of this year while imports were slightly lower.

Trade between the two countries in the six months totalled eight billion U.S. dollars, China's General Administration of Customs said.

Exports stood at 3.55 billion U.S. dollars of exports, up 30 percent over the same period last year. Imports were worth 4.49 billion U.S. dollars, down 0.4 percent.

China's trade deficit with Japan fell to 946 million U.S. dollars from 1,784 million U.S. dollars in the same period last year.

The trade this year is expected to top last year's total of 16.48 billion U.S. dollars, making Japan China's second largest trading partner after Hong Kong. The deficit is expected to be lower than last year's 3.68 billion U.S. dollars.

An official from the Ministry of Foreign Economic Relations and Trade (MOFERT) attributed the increase in exports to China's more open policy and reforms in the foreign trade structure that have given more incentives to domestic firms to export goods. There has also been a falling demand in China for the import of automobiles, household electric appliances and other higher-valued products.

The increase in oil price over the year helped China achieve a better trade balance with Japan, too, since oil and coal constitute about 40 percent of China's total exports to the energy-short country.

The appreciation of Japanese yen and government measures to strengthen domestic demand also provided Japanese firms with more incentives to turn to the Chinese market for imports.

Structural changes in China's export industry brought the exports of more finished products to Japan, thus increasing the country's foreign exchange earnings.

The "Toshiba case," which led to the Japanese Government increasing its control over technology transfer to China, dampened the desire for business on both sides and seriously affected Japan's exports to China, the MOFERT official said.

Trade analysts here predicted that China's exports to Japan would grow in the second half of the year while imports would be further rationalized.

Although optimistic over the drop in deficit, analysts did not exclude the possibility of a worsening trade imbalance in the second half of the year.

The analysts blamed the trade imbalance on the trade structure, in which most of China's exports to Japan are raw materials and lower-valued products while most import commodities are higher-valued and lack domestic supplies.

The key to a trade balance is improving quality and competitiveness of export products, the analysts said, although the Japanese Government could help by opening up its markets more and ending discriminatory practices against China.

MOFERT statistics show that China's total trade deficit with Japan reached 25 billion U.S. dollars in the past 16 years since 1972 when the two countries normalized their diplomatic relations.

**DPRE To Send Second Letter to South Korea**  
*OW2507214788 Beijing XINHUA in English*  
1504 GMT 25 Jul 88

[Text] Pyongyang, July 25 (XINHUA)—Yang Hyong-sop, leader of the Supreme People's Assembly of the Democratic People's Republic of Korea (DPRK), will send another letter to Kim Chae-sun, "chairman of the national assembly" of South Korea tomorrow, the KOREAN CENTRAL NEWS AGENCY (KCNA) reported today.

This will be the second letter to be sent by Yang Hyong-sop in a week's time to Kim, but KCNA did not disclose what the letter contains.

Yang proposed in his first letter sent on July 21 for joint parliamentary meetings with South Korea to discuss a joint declaration on non-aggression but has not received response from the southern side.

Today, Yang sent a telephone message through the Red Cross hot line to Kim, noting two liaison delegates would be sent to the conference room of the neutral nations supervisory commission at Panmunjom at three p.m. July 26 to hand over the letter addressed to Kim.

Yang asked Kim to take a commensurate measure, KCNA said.

**Southeast Asia & Pacific**

**Zhu Liang Meets Australian Party Delegation**  
*OW2507134788 Beijing XINHUA in English*  
1139 GMT 25 Jul 88

[Text] Beijing, July 25 (XINHUA)—Zhu Liang, member of the Chinese Communist Party Central Committee and head of the committee's International Liaison Department, met here today with a delegation from the Australian Labor Party.

The delegation is headed by Arthur Getzelt, senior vice-president of Australian Labor Party and senator of Federal Parliament of Australia.

During the meeting the two sides agreed to further strengthen friendly relations between the two parties.

**'Cocktail Party' on Cambodia Continues**

**Son Sann To Attend**  
*OW2307032188 Beijing XINHUA in English*  
1458 GMT 22 Jul 88

[Text] Paris, July 22 (XINHUA)—Son Sann, prime minister of the Coalition Government of Democratic Kampuchea, announced here today that he will attend the informal talks on Kampuchea in Jakarta beginning Monday.

Sann told a press conference that several factors favoring a solution to the Kampuchean question have appeared, and he restated his three principles for the settlement of the Kampuchean issue: Withdrawal of all Vietnamese troops from Kampuchea; talks between Vietnam and Kampuchean resistance forces, and national self-determination in the presence of an international peace-keeping force.

He also called on governments throughout the world to put pressure on Vietnam to withdraw all its troops from Kampuchea and to assist bids to achieve a ceasefire, national independence and liberty and to recover national culture, civilization and religion in Kampuchea.

Son Sann arrived in Paris yesterday. He is scheduled to leave for Jakarta tomorrow.

**Beijing Reports on Meeting**  
*BK2507124388 Beijing in Cambodian to Cambodia*  
1030 GMT 25 Jul 88

[Text] The long-awaited informal meeting, which is being called a cocktail party, on politically resolving the Cambodian problem started on 25 July in Bogor, 56 km south of the Indonesian capital of Jakarta.



The proposal on the cocktail party was put forward by former Indonesian Foreign Minister Kusumaatmadja in November 1985. This proposal only invites representatives of the tripartite CGDK and the Phnom Penh authorities. At the end of July 1987, Kusumaatmadja visited Vietnam, proposed the cocktail party again, and reached an agreement with Vietnamese Foreign Minister Nguyen Co Thach in Ho Chi Minh City. According to this agreement, the two Cambodian sides will meet at the informal session on an equal basis with no preconditions and that the meeting will not have a political character. In the last phase of the meeting, Vietnam and other concerned parties will also attend.

When he made this proposal, Kusumaatmadja said Indonesia would be pleased to host this meeting. Vietnam has used this agreement for propaganda purposes saying that it is not involved in the Cambodian problem. On 16 August 1987, the six ASEAN countries held their extraordinary session in Bangkok and issued a press communique welcoming this cocktail party but pointing out that Vietnam should attend this meeting immediately after the cocktail party. The CGDK's 8-point peace proposal will be the basis of discussion at the meeting. The proposal put forward by this meeting has been called the ASEAN proposal for the cocktail party on the Cambodian problem.

#### Opened by Indonesia's Alatas

OW2507112788 Beijing XINHUA in English  
0430 GMT 25 Jul 88

[Text] Bogor, Indonesia, July 25 (XINHUA)—Indonesian Foreign Minister Ali Alatas said here today that by holding the Jakarta informal meeting on the Kampuchean problem, an opportunity and momentum will have been created which all participants shall not fail to seize and utilize.

Delivering an address at the opening ceremony of the Jakarta informal meeting this morning at Bogor Palace, Ali Alatas said that the Kampuchean problem is one of many dimensions and aspects, with ramifications that are both regional and international in scope.

It is obvious that a problem of such complexity cannot be solved overnight or through a single meeting, Alatas said.

The Jakarta informal meeting will provide "the representatives of all Kampuchean factions, with a first and unique opportunity to discuss, in an atmosphere of informality, those aspects of the problem that should appropriately be taken up by the Kampuchean people themselves, e. g. such aspects as national reconciliation, self-determination, the formation of a provisional government to arrange for general elections and the building of a new, peaceful, independent, non-aligned and neutral Kampuchea."

The Indonesian foreign minister expressed the hope that the participants "will engage in constructive dialogue and succeed in identifying areas of common ground and convergence of view on these issues."

He said, "If we succeed in making concrete progress in this process of dialogue and negotiation that we have started, we would all, in a real sense, contribute to the ultimate objective all nations and peoples in Southeast Asia share."

#### Alatas Holds News Conference

OW2507234588 Beijing XINHUA in English  
1733 GMT 25 Jul 88

[By Ma Shengrong and Li Yongming]

[Text] Bogor, Indonesia, July 25 (XINHUA)—The Jakarta informal meeting which started here this morning will continue tomorrow following "a long and productive day of discussions."

This was disclosed by Indonesian Foreign Minister Ali Alatas at a press conference here this evening.

Alatas said that at the two sessions today, the participants "had presented some kinds of general views." "Hopefully then, after the stage of generalized views is over, we can look at some of the specific aspects to see whether we can make progress," he said.

However, he declined to reveal details of the discussions, saying that it was only "at a preliminary stage."

The Jakarta meeting which is being held in the hill resort city of Bogor, some 60 kilometers south of Jakarta, is trying to find ways to bring a political solution to the Kampuchean conflict.

The almost 10-year-old problem was caused by the Vietnamese invasion of Kampuchea in late 1978.

At a separate press briefing this evening, Hun Sen, prime minister of the Vietnamese-installed Phnom Penh regime, read out a so-called "Position of the People's Republic of Kampuchea With Regard to the Political Solution of the Kampuchea Issue."

The paper repeated Vietnam's claim that Vietnamese troops will leave Kampuchea by 1990 and demanded "the rejection of the Khmer Rouge (Democratic Kampuchea) armed forces."

Hun Sen disclosed that the four Khmer factions will meet Prince Norodom Sihanouk who is visiting Jakarta. But he did not disclose the date of the meeting.

Attending the Jakarta informal meeting are representatives from the three parties under the Coalition Government of Democratic Kampuchea (CGDK), the Vietnamese-installed Phnom Penh regime, Vietnam, Laos, and the countries of the Association of Southeast Asian Nations (ASEAN).

### **Cambodian War Has Destroyed SRV Economy**

OW2507180088 Beijing XINHUA in English  
1341 GMT 25 Jul 88

["Economic Crisis Prevailing in Vietnam (by Chen Jiabao)"]—XINHUA headline]

[Text] Hanoi, July 25 (XINHUA)—As Vietnam's war against Kampuchea entered into the tenth year, Vietnam's economy has been on the verge of collapse with people's living standard declining day by day and a severe famine prevailing in northern parts of the country.

Representatives of the National Assembly were all surprised to know from a government report at its summer conference recently that 21 [as received] people have died of the famine and about 10 million people more are suffering from it. They asked "Why could the famine occur?" "Who will be responsible for it?"

The government explained that the reasons for the famine were poor harvests in the past two to three successive years, decreasing foodgrains store in the countryside, and failure of the government to take measures beforehand due to underestimation of the food situation in the northern areas, etc. The explanation however is not satisfactory.

As foreign sources here observed, the famine is only a facial sign [as received] of the prolonged predicaments. The main cause of the economic crisis lies in the failure of the Vietnamese authorities to regain strength for peaceful reconstruction after the 1975 Indo-China war. Instead, it became an aggressor itself by sending troops to a smaller neighbor after driving foreign aggressors out of their own country. How couldn't the economy be difficult?

The fact is that Vietnam's military spending expands to the tune of over 50 percent of the government's expenditure and its 100,000-200,000 occupation troops still remain in Kampuchea. Under such circumstances, its economy inevitably landed in a deep crisis: Agriculture declining, industry at a standstill, inability to repay about 8 billion U.S. dollars foreign debt, in addition to several hundred million dollars trade deficit every year and galloping inflation and soaring prices at home markets.

People are having a more difficult livelihood. According to press reports, a family of two with a monthly income of 16,000 dong (five U.S. dollars at black market price) can not maintain a living for the month as prices soared 150-200 percent in two months' time.

Though the Vietnamese leadership began to adjust economic strategy in 1986 to develop food production, it admitted the adjustment achieved little results and the situation was even worsening with finance deficit and galloping inflation out of control.

Observers here said it missed the crux of the problem. They said the point is that the Vietnamese authorities should make up their mind boldly to end the war against Kampuchea as soon as possible by completely withdrawing its troops from Kampuchea so as to radically change circumstances at home and abroad for the improvement of national economy.

Now parties concerned, including Vietnam, are holding a "cocktail party" on Kampuchea at Bogor, Indonesia to discuss a political solution to the Kampuchea issue.

Vietnam's attitude will not only determine whether the Kampuchea issue will have an earliest possible peaceful and fair solution but also affect decisively its own economic development prospects.

The Vietnamese people, who are pressed by a difficult livelihood, are waiting for their leaders to take wise decisions at the "cocktail party."

### **Aquino Warns Foreign Creditors on Debt Burden**

OW2507204388 Beijing XINHUA in English  
1454 GMT 25 Jul 88

[Text] Manila, July 25 (XINHUA)—Philippine President Corazon Aquino today warned the country's foreign creditors that her administration may be forced to find a way out to solve its debt problem unless the creditors take steps to reduce the country's 29 billion U.S. dollars foreign debt.

The president issued the warning in her state of the nation address before today's joint opening session of Congress here.

In a veiled threat apparently addressed to the international financial institutions, President Aquino said that while the Philippines endured "the most rigorous austerities, yet received no better treatment than those of countries that resisted."

"We must find ways of funding our growth without being held hostage to our debt," she said. "If we are to meet our commitments to our creditors, the bankers must first meet our financial needs."

In 1987, the country incurred a negative outflow of 2.2 billion U.S. dollars to foreign creditors. "It was blood from the veins of our economy and took a heavy toll in missed output and lost employment," Mrs. Aquino noted.

She said the external debt burden "must dramatically reduce." "It should be understood that we cannot indefinitely give more than 40 percent of the budget for total debt service," she added.

The Philippines will make a net payment to creditors of around 12 billion U.S. dollars over the next five years. "This is intolerable for a country whose basic needs are as acute as ours. I hope that message is clearly heard."

However, Mrs. Aquino did not disclose the planned action to be taken by the Philippines in the event no compromise is reached with the creditors. It is also not clear whether she was referring to a radical move such as debt repudiation or selective disengagement.

**Burmese Congress Accepts Leaders' Resignations**  
*OW2507233288 Beijing XINHUA in English*  
1540 GMT 25 Jul 88

[Text] Rangoon, July 25 (XINHUA)—U Ne Win's resignation as chairman of the ruling Burma Socialist Programme Party (BSPP) was accepted today by the extraordinary party congress which closed this afternoon, according to a state radio report tonight.

President U San Yu's resignation as vice-chairman of the party was also accepted by the congress. However, the resignations of the other four party leaders (U Aye Ko, U Sein Lwin, U Tun Tin and U Kyaw Htin) were not accepted by the congress.

The party congress did not accept U Ne Win's proposal of holding a national referendum to decide what the people wish—a one-party system or a multi-party system.

The congress also approved making changes in the state economic policies and guidelines.

The extraordinary party congress was opened on July 23.

**Vanuatu's Lini Faces Constitutional Crisis**  
*OW2507201488 Beijing XINHUA in English*  
1408 GMT 25 Jul 88

[Text] Canberra, July 25 (XINHUA)—Vanuatu's Prime Minister Walter Lini has sparked a constitutional crisis by sacking his main political rival Barak Sope from the ruling Vanuaaku Party and parliament.

The move today, linked with last May's rioting in Port Vila, Vanuatu's capital, over land rights, leaves Lini without a majority in parliament.

With police and para-military troops on full alert in the capital, Sope has joined forces with opposition to contest the dismissal.

"The Lini government has become dictatorial with no regard for the rule of law. He must resign now.

"We will not give up the fight against his rule," Sope, former secretary-general of the Vanua'aku Party, was quoted by a foreign news report as saying.

Lini has lost his outright majority, and the opposition has joined with Sope to boycott parliament leaving Vanuatu in a constitutional limbo. The defections of Sope and his supporters left the government of Walter Lini with only 21 seats in the 46-member house.

Sope said the dismissals were an illegal attempt to keep Lini in power and he appealed to Vanuatu President George Sokomanu to intervene.

Sope and the opposition have lodged a joint petition claiming today's parliamentary sitting was unconstitutional. It is due to be heard in an emergency Supreme Court session tonight.

**Near East & South Asia**

**Jiangsu Construction Workers Praised in Kuwait**  
*HK2507132788 Beijing CEI Database in English*  
25 Jul 88

[Text] Nanjing, (CEI)—More than 200 workers from Lianyungang City of Jiangsu Province are now building 471 apartment houses in Kuwait. The project is scheduled to be completed in 20 months.

The city has started providing labour services abroad since last year. Building workers and technicians working in Kuwait are praised by the local authorities for their strong sense of responsibility and good quality of work.

Lianyungang has also sent chefs, carpenters, masons and other technicians to work in Federal Germany, Japan and Benin since 1988.

**Sub-Saharan Africa**

**Sports Exchanges With Mauritius Developing**  
*OW2607032488 Beijing XINHUA in English*  
0131 GMT 26 Jul 88

[Text] Port Louis, July 25 (XINHUA)—China presented a batch of sports equipment to Mauritius today in Port Louis, Mauritius.

The equipment presented at a ceremony here included table tennis balls and volleyballs, sports wear, horizontal bars and parallel bars, valuing 20,000 yuan renminbi in total.

M. Parsooramen, minister of education, arts and culture of Mauritius, attended the ceremony.

Fast development in sports exchanges between the two countries has been witnessed in recent years. China is aiding the country to build an outdoor stadium here.



### West Europe

**EC Calls for SRV Troop Pullout From Cambodia**  
*OW2507204288 Beijing XINHUA in English*  
1435 GMT 25 Jul 88

[Text] Athens, July 25 (XINHUA)—The European Community (EC) today called for total withdrawal of Vietnamese occupation troops from Kampuchea to pave the way for the political settlement of the long-standing Kampuchea problem.

In a declaration issued in Athens, which currently holds the EC's rotating presidency, the 12-nation community stressed that "The total withdrawal of Vietnamese forces from Kampuchea is indispensable" to the restoration of "a sovereign, independent, neutral and non-aligned Kampuchea."

Meanwhile, the declaration expressed welcome to the informal peace talks in Jakarta, Indonesia, between leaders of the Kampuchean guerrilla alliance and Hun Sen, head of the Vietnamese-installed regime.

The talks, which started today, are reportedly aimed at seeking a "comprehensive settlement of the problem of Kampuchea," which was caused by the invasion of the Vietnamese troops nine years ago.

"The twelve (EC member states) welcome the Jakarta meeting and reiterate their support for the efforts, in particular of the ASEAN countries, in search for a comprehensive political settlement of the problem of Kampuchea in accordance with the relevant U.N. resolutions," the declaration said.

It expressed the hope that the meeting "will be the starting point for a peace process that will lead to the restoration of a sovereign, independent, neutral and non-aligned Kampuchea."

**Hong Kong Paper on Beidaihe Meeting**  
HK2607040488 Hong Kong TA KUNG PAO  
in Chinese 26 Jul 88 p 1

["Special Article" by Chiu Sheng (5941 5116): "What's Discussed at the Beidaihe Meeting?"]

[Text] On the Xi Shan (Western Hill) of the summer capital Beidaihe, the lamplights beaming from the windows of various villas are ablaze all through the night. The main leaders of the CPC Central Committee are gathering there to start their "vacation" which takes place once a year. This year's Beidaihe work meeting is a key meeting which will discuss the reform policy for the next 5 years. A specific blueprint for the new order of the socialist commodity economy will also be worked out at the meeting.

**Deng Xiaoping's Speeches [subhead]**

The Ninth Plenary Meeting of the CPC Central Political Bureau maintains that the current reform in China has entered a crucial stage. With the deepening of reform, some very difficult problems, which cannot be bypassed, are now placed in front of the Chinese people. When Deng Xiaoping met with foreign guests since mid-May, he talked on nine occasions about the risks of reforming commodity prices and wages, and so on. He stressed that conditions had existed for taking the risk of an all-round reform of commodity prices and wages. This has shown that the CPC is full of confidence in taking a crucial step in the course of reform.

However, it is extremely difficult to take the next step in reform. Commodity prices and wages are a twin brother with commodity prices playing a decisive role. At present, the issue of price reform has widely arrested the attention of the society. In recent years, theoretical and practical economic work departments have proposed many views and ideas on this issue. According to the first idea, efforts must be made to gradually straighten out prices. In other words, while placing the emphasis on the key link of running enterprises well, efforts must be made to gradually free and readjust prices so that we can rationalize the price system, change the administrative mechanisms for setting prices, overcome the defects of the double-track system of prices, and form a new price system and price administrative system. According to the second idea, emphasis must be placed on market price. In other words, by gradually creating and improving market conditions, efforts must be made to establish rational price mechanisms.

**Various Opinions on the Reforms in Commodity Prices and Wages [subhead]**

There are divergent views on the steps taken in the course of commodity price reform. According to the first opinion, under the present condition that commodity prices increase by a big margin, it is difficult to take major measures for price reform. The work which should

be started right now is that we should spend 2 or 3 years on improving macroscopic economic environment in the interest of basically maintaining the balance between total supply and demand, and the main structure and supply and demand, dealing with the issue of inflation, curbing price increases, and so on. After that, major measures will be taken to deal with the problem of price reform. According to the second opinion, since price reform cannot be overstepped, or avoided, we should continue to push it forward. Price reform itself is a means of improving economic environments.

There are also divergent views on the specific measures for price reform. According to the first view, emphasis must be placed on price readjustment. The measure for freeing prices must be regarded as secondary. Prices must be straightened out bit by bit. According to another view, emphasis must be placed on "freeing prices," or on "freeing prices alone without any readjustment." Those who hold this view stress the use of market mechanisms in price reform.

Of course, these opinions are only views aired by theoretical and economic departments. Mature views will be proposed by the Central Commodity Price Committee at the Beidaihe meeting. However, at the ninth meeting of the Central Political Bureau, General Secretary Zhao Ziyang already spoke on the issues of wage and price. A central document on Zhao's speech has been disseminated to the whole party.

According to Zhao Ziyang, we must spend about 5 years on straightening out prices. He pointed out: The present prices for grain, oil, traffic and communications, and so on are absolutely irrational. In those years, it was completely necessary to implement the double-track system for many kinds of the means of production. It was beneficial to the promotion of production. However, if the system is kept intact for a long time, it will be extremely harmful.

Zhao Ziyang reminded his think tank, which formulates the plan, that while dealing with the issue of commodity prices, they should take into consideration what society will accept. Several years are needed to straighten out the commodity price index. Supporting measures must be included in the plan for handling matters such as wages, interest rates, ideological work, and so on. Zhao stressed: The direction of price reform is to lift price control and carry out price readjustment using the market mechanism so that our prices will gradually be closer to international market prices. All this has pointed out a direction for the formulation of an overall plan for price reform.

**The Three Principles for Wage Reform [subhead]**

At the meeting, Zhao Ziyang proposed the three principles for wage reform. 1) The growth of consumption must not exceed the increase in production in the interest of maintaining a balance between the total

demand and supplies of the society. 2) Efforts must be made to conscientiously implement the principle of distribution according to work to overcome the defect of equalitarianism and the practice of eating out of the same big pot in the distribution of wages, which has existed for a long time. 3) Efforts must also be made to conscientiously regulate incomes to solve the problem of unfair social incomes. He stressed: Wage reform must be beneficial to strengthening the bearing capacity of the masses for price reform. In the meantime, it must be helpful to overcoming irrational things in the previous wage system. He pointed out that the incomes of mental workers and physical laborers on the one hand, and the incomes of complicated labor and simple labor on the other must be "reversed" at all levels. Such irrational phenomenon must not exist for a long time. With regard to the issue of unfair distribution, three measures will be taken: a) Regulation through tax should be carried out. A system of reporting personal incomes must gradually be established. This work will start in big cities. b) A ban must be resolutely imposed on the practice of gaining staggering profits through illegal means. c) Subsidies will be provided for those whose incomes are low.

#### **Nationwide Discussion on Productive Forces**

OW2607080888 Beijing XINHUA Domestic  
Service in Chinese 0139 GMT 26 Jul 88

[By reporter Zhao Huawei]

[Text] Beijing 26 Jul (XINHUA)—A discussion on the criteria for productive forces is currently being carried out in many localities in the country.

Speaking on the discussion recently, Hu Qili, member of the Political Bureau Standing Committee of the CPC Central Committee said: The discussion concerns the recognition of socialism, current conditions in China, commodity economy, concept of value, ideological and political work, and other fundamental problems. In fact, it is a continuation and development of discussion on the criteria for measuring the truth and our important ideological preparations for furthering economic reform and overcoming difficulties encountered in carrying out reforms. The discussion should be continued and conducted in an in-depth manner.

In his report at the 13th CPC National Congress, Zhao Ziyang said that the foundation for considering everything and the basic criterion for judging all our work should be whether they serve that end. There have been arguments whether our moves were socialist or capitalist in the past 10 years of reform, and therefore, people gave their attention quickly to the idea of criteria for productive forces, an ideological weapon for distinguishing the right from the wrong and for unifying our thinking, when it was presented to the public. In carrying out the guidelines laid down by the 13th CPC National Congress, Heilongjiang, Jilin, Liaoning, Hebei, Shanxi, Hubei, Hunan, Jiangxi, and other provinces decided to

hold provincial-wide discussions on the criteria for productive forces. Since the beginning of this year, these provinces have organized seminars and classes to discuss the subject and opened special columns on local newspapers for the discussion.

In their study and discussions, many localities have paid attention to closely integrating theory with practice in the following areas: 1) They have linked the subject to matters arising from reform, opening, and practice that were workable but could not be clearly explained, and that were logical but they dared not carry out; discussed them; and got rid of those old ideas that had limited people's thinking. 2) They have compared themselves with advanced localities and tried to find out where they had lagged behind ideologically from the differences in the development of productive forces, thereby increasing their sense of urgency and responsibility for reform. 3) They have used the criteria for productive forces for eliminating those outmoded or irrational rules and regulations. Those that needed to be abolished were abolished, and those needed to be amended were amended. 4) They have conducted surveys on the basic local conditions to make sure what advantages and disadvantages they had, so that they could work out an economic and social development strategy that suit local conditions. The Heilongjiang Provincial CPC Committee and Government used discussion on the criteria for productive forces as an ideological guideline to organize cadres to investigate and discuss major problems that had impeded emancipation of the mind, furthering reform, and development of productive forces. The recent announcement by the province of a ten-point policy regarding work in 12 areas has stimulated the masses in the province.

A distinguishing feature of this discussion is that leading party and government cadres are vigorously taking the lead in the discussion. Centers for the study of the criteria for productive forces have been set up in a number of provinces, and many leading cadres at the provincial, prefectural, and county levels have written papers on this subject. Yueyang City in Hunan Province ran four study classes for cadres at and above the county and department levels from 12 April to the end of May; 87 percent of the cadres at these levels attended the study classes. The central theoretical study group of the Jilin Provincial Party Committee has written articles for newspapers after profoundly exploring how to use the criteria for productive forces to guide the efforts to carry out reforms and open to the outside world. In his paper entitled "Uphold the Criteria for Productive Forces and Further Emancipate the Mind," Secretary He Zhukang of the Jilin Provincial Party Committee called for changing the way of thinking and fostering a new concept of right and wrong, of policy, of talent, and of socialist economic order according to the criteria for productive forces.

This discussion is developing continuously. In some localities, attention is being paid to guiding the cadres and masses to assess the current situation and to unify



their understanding of the situation, including negative and corrupt phenomena, according to the criteria for productive forces; to make a concrete analysis of the price and wage reforms according to the view of developing the productive forces; and thus to understand the necessity and urgency of speeding up reform and building a new order of the socialist commodity economy.

**Commentary Urges Establishing Market Order**  
*HK2607064188 Shanghai SHIJIE JINGJI DAobao*  
*in Chinese 18 Jul 88 p 15*

[Article by SHIJIE JINGJI DAobao Contributing Commentator Chen Shenshen (7115 3947 3947): "China's Reform Faces a New Situation—First Commentary On the Establishment of a New Order of Market Economy"]

[Text] Changes Brought by Reform [subhead]

It is 11 years since the start of China's reform. Compared with 10 years ago, the reform is facing a new situation.

Ten years ago, what the reform confronted was a system of management based on mandatory plans with a high degree of centralization.

Today, 10 years later, the system of mandatory plans with a high degree of centralization is a thing of the past. In the process of the reform centering on the main idea of "delegating powers and yielding profits," central powers and profits have been handed over to given areas, from level to level. From the "start of separate house-keeping" financially to the widespread introduction of the contract system today, reforms involving plans, commodities, distribution, prices, and so forth, have enabled the governments at various levels and various government departments to have ever greater separate benefits of their own. They have also been given the freedom morally and legally to protect such interests.

But the original relations of being placed at higher or lower levels have been fully preserved. The higher levels may not demand complete compliance from the lower levels. But the attitude of higher-level administrative departments still has a decisive effect on the economic interests of lower-level departments.

Therefore, China's economic reform has faced a new situation. There have been changes in the problems confronting it and in the direction of the efforts to be made. The establishment of a new socioeconomic order is a problem now confronting all society.

The Administrative Market Orders [subhead]

There are two most fundamental orders in contemporary economic life—the administrative and the market. Different orders have set different criteria for the action of people to satisfy different needs.

To ensure the internal efficiency of an administrative system, we must have an administrative order.

To guarantee fairness in market trading, we must have a market order. This requires people to act according to market criteria for fair trading on an equal footing.

However, there has been the phenomenon of a chaotic order in China's economic life of today.

Governments at various levels and various government departments engage in various economic activities in the role of the government and the enterprise. Between governments at various levels and between the government and the departments in charge under it, economic contracts on investment, distribution, and penalties and rewards are being concluded. They have obviously become enterprises. The only difference is that they are enterprises doubling as a government organ and a business. Market trading activity exists in organs everywhere in the government's administrative system.

On the other hand, the higher levels are, after all, the higher levels. The lower levels are, after all, the lower levels. A contract may provide grounds for rejecting administrative intervention from the higher levels. But such grounds would have the actual effect of only delaying lower-level execution of higher-level orders and reducing administrative efficiency. It is impossible to refuse to carry out resolute higher-level orders, even though they are against the contract. Administrative pressure is ubiquitous in the market. On China's market, the current practice being observed is for lower levels to obey higher-level administrative criteria. Some people call this a case of "market principles holding well in officialdom, and officialdom principles holding well in the market."

This is the chaos of a real economic order. Almost all people have felt such chaos.

Given the current chaotic state, all enterprises from the commodity producers that have evolved from the existing system—governments at various levels and various government departments—to basic-level enterprises are not really independent operators. They have in their character the side of pursuing profit in market competition. They can also refuse to hold themselves responsible for the assets that they are operating under the existing system. They need never be afraid of going bankrupt. They believe that in difficult times, they can solve all difficulties through negotiations with the higher levels. Indeed, the government departments at higher levels also make a point of trying their best to lift them out of the plight.

Thus, lower-level departments and enterprises can endlessly realize the interests of given areas or departments by negotiating with the higher levels. Meanwhile, the departments at higher levels also can always have sufficient grounds for using administrative means to interfere

with the lower levels or with enterprise operating activities. All economic problems that confront society today can be traced to factors related to the management system here.

The monopoly of foreign trade has gone beyond such a practice in any other sector. Given control by an extremely small number of government departments, it is basically impossible for most enterprises to have a direct understanding of the international market and compete internationally on their own. On the other hand, losses of enterprises have for many years been borne financially by the central authorities. When the losses are swallowed by the central authorities and foreign exchange income is shared among the central authorities, the locality, and the enterprise, the result is that heavy central subsidies are being traded for enterprise competition at cutthroat export prices and interne-cine fighting that causes an outflow of fat profits. Heavy subsidies also give sufficient grounds for the government's intervention in enterprise operating activities.

Regarding the control of the amount of investment, various areas and departments have kept asking for an increase in investment. Feasibility reports on investment plans have been prepared as "reports likely to be approved by the higher levels," with nothing but higher-level approval in mind. "Priority projects" have been on the increase. There is almost no project that is not considered a priority. For large and small projects, the only fear is approval not coming from the higher levels. There is very seldom the worry about an investment bringing no return. Excessive amounts of investment are causing a tremendous waste every day. On the other hand, the stipulations carried out to control the size of an investment have also created multiple obstacles for enterprises on the road of raising money in the market, taking risks on their own and assuming responsibility for profits and losses. Complicated procedures involved in granting approval have made these enterprises lose a good investment opportunity.

In the distribution of wages and bonuses, the enterprises' freedom psychologically from the fear of bankruptcy has infected workers. They are so influenced that they have no fear about being out of work. People asking for increased bonuses and those willing to hand out bonuses all have no worry about the likely consequences caused to enterprises and society. On the other hand, strict measures to control the growth of wages and bonuses have again left the problem of too low pay for doctors, teachers and high-level technical personnel unsolved all the time.

In the handling of commodity prices, all people are against freely raising prices. But they all hope that the prices of their own products can be raised. This is because income from increased prices goes to themselves. Even if the products turned out are not sold off causing a loss, the relevant enterprise will not go bankrupt. Everyone wants to see a rise in the price of his own

products. The rise in the price of a product can be an excuse for marking up the prices of other products. On the other hand, to check a price rise, the government department in charge naturally intervenes directly in the operating activities of enterprises. Without approval, not only price rises but also price reduction cannot take place.

At the current stage of reform, it is absolutely impossible to restore the system of the past. Therefore, there is only one choice for us. It is that we must quickly establish a perfect market order. This is the only way to get out of chaos.

We must redefine the objective of reform and establish a market economic order that allows fair competition.

What is the objective of the reform? Up to now, the government department's consistent view has been that the objective of reform is "market revitalization." Government departments in charge of economic work feel strongly that enterprises are lacking in vitality. Therefore, it logically follows that they take "enterprise revitalization" as the objective of reform. But the raising of the problem in itself has created obstacles to reform. If "enterprise revitalization" is the objective of reform, then who is to revitalize enterprises? Undoubtedly, it is the various government departments in charge. We have already noted that in reform, so many government departments in charge have formulated so many measures to "revitalize enterprises." They have done a large amount of work, for that matter. But enterprises have still not been revitalized. It cannot be said that these measures do not help at all. But even with things carried on this way for several decades more, it is also impossible to change a basic fact. Enterprises are still under the government and not entirely independent operating entities.

We always place too much trust in what administrative intervention can do. We are unwilling to establish rules that everyone must follow on the basis of common interests. This is the greatest weakness in reform up to now.

Therefore, we must raise problems from a new angle.

As far as reform is concerned, a more fundamental objective should be to establish a market economic order with fair competition. We must let enterprises be full of vitality. The most important thing is to let enterprises become really independent operating entities and compete in the market. An enterprise manager should no longer be a government official of a certain rank and should instead be an operator of enterprise assets. What he represents should not be government power but enterprise assets. This is by no means what can be achieved, with the government working out a few policies of preferential treatment for enterprises, or a few incentive measures. Instead, we must start with the establishment of a market economic order with fair



competition to gradually take the place of the existing system of government administrative control. We must thus fundamentally change the relations between the government and the enterprise. This is a reform of the whole economic management system and is by no means just a readjustment with a few government economic policies introduced. Therefore, we can truly call such a reform "a reform of the economic system."

The experiences of various socialist countries in reform and our own experiences in practice show that it is not difficult to bring the market mechanism to a socialist country. The greatest difficulty lies in how to establish a perfect market economic system to ensure the steady growth of the economy. The reform in various socialist countries starts with the introduction of a market economy. But not long after that, the objective of reform is still not realized, with tremendous economic difficulties successively encountered. The main cause of difficulties is failure to quickly establish a necessary market economic order after the introduction of a market economy.

Therefore, beginning now, the focus of our reform must shift to the establishment of a market order.

I believe that the establishment of a market order should cover fundamental contents in the following two respects:

1. The relations of property rights must be clearly defined.
2. A market with fair competition must be established.

To make these problems clear, there is obviously the need for a deeper discussion.

**Deng Xiaoping Names Official Army Song**  
OW2607011688 Beijing XINHUA in English  
1531 GMT 25 Jul 88

[Text] Beijing, July 25 (XINHUA)—Deng Xiaoping, chairman of the Central Military Commission, today issued an order to list the March of the Chinese People's Liberation Army as the army song.

This decision of the Central Commission was approved by the Central Committee of the Chinese Communist Party.

The march, originally called the March of the Eighth Route Army, was composed in Yanan, Shaanxi Province, in 1939. It was renamed the March of the People's Liberation Army in the War of Liberation (1945-49) and renamed again in 1965.

In a joint circular issued recently, the headquarters of the PLA General Staff and the General Political Department said that the army song reflects PLA's "nature, tasks, revolutionary spirit and combat styles".

The circular believed that the publication of the song will encourage officers and men to accelerate PLA's modernization and better shoulder the task of modernizing China and defending the country.

**Deng Inscribes New Youth Federation Journal**  
HK2507063388 Beijing ZHONGGUO XINWEN  
SHE in Chinese 0927 GMT 22 Jul 88

[Report: "ZHONGHUA ERNU Bimonthly Starts Publication in Beijing"]

[Text] The first issue of a new cultural and ideological journal, ZHONGHUA ERNU [CHINA'S SONS AND DAUGHTERS], run by the All-China Youth Federation, was published today in Beijing. Deng Xiaoping inscribed the name for the magazine.

ZHONGHUA ERNU is mainly oriented to young and middle-aged intellectuals and Overseas Chinese, and will be distributed to the Chinese mainland, Hong Kong, Macao, and Chinese communities in all parts of the world. The magazine will try to break the barriers between different regions, nationalities, and people with different beliefs, form extensive ties among young people of all nationalities in China, including those in Hong Kong, Macao, Taiwan, and overseas areas, promote their mutual understanding, and act as a window for the young people in China to understand the world and for the world to understand the Chinese youths.

Yan Jiaqi, Fang Zeng, Liu Zaifu, Liu Xinwu, and Han Meilin, all well-known personages in Chinese intellectual circles, are members of the magazine's editorial committee. Liang Li-ling, a famous woman writer in Hong Kong, is also an overseas editor for the magazine.

The first issue of ZHONGHUA ERNU carried articles written by famous Chinese scholars, economists, and Hong Kong writers on the issues that many people are interested in, including "Dialogue on Intellectuals' Self-Improvement," "China's Reform Enters the 'Bermuda Triangle,'" "Liu Zaifu on Life Experience," and "Reveal the Myth of the 'Vital Energy Passages' in Human Bodies" which represent the greatest achievements in China's ancient science.

**Li Peng Speaks on Urban Vegetable Farming**  
HK2607033988 Beijing ZHONGGUO JINGJI  
TIZHI GAIGE in Chinese No. 6, 23 Jun 88 pp 6-11

["The fundamental way out for improving urban vegetable supplies lies in persevering in reform"—speech by Premier Li Peng at a national 10-city symposium on vegetable structural reform on 11 May 1988]

[Text] The State Council is greatly concerned with urban vegetable supplies because this is a problem for which urban people show great concern. I feel very glad that I have the opportunity to attend the fourth 10-city symposium on vegetable structural reform as it is a good



opportunity to understand the situation. I also thank the comrade mayors of the 10 cities for telling me in detail yesterday about the situation in vegetable production and supplies. In the light of the reports I have listened to and of the situation I have generally understood, I am going to talk about the following several views on urban vegetable work:

**First, Vegetable Supply Work Is Very Important [subhead]**

According to the long-term established habits and customs vegetables occupy an important position in the food structure and vegetable supply is very complicated work. Particularly following the expansion of cities and an increase in floating population, this complicated nature is aggravated. For example, vegetables are seasonal products and are greatly affected by the weather. When the weather is good, output increases greatly and when it is bad, output drops. Moreover, the quantity and variety of vegetables is large and it is difficult to preserve them. This further aggravates the complex nature of supply. According to habits and customs, on average, each person consumes almost eight taels to one catty of vegetables a day. Therefore, whether vegetable supplies are good or bad will not only directly affect the people's livelihood but even sometimes affect social stability.

**Second, the Fundamental Solution to the Vegetable Problem Lies in Persevering in Reform [subhead]**

Over the past few years, some reform of the urban vegetable structure has been carried out. The overall situation in reform is good; market supplies are ample; variety has increased; and the people have benefited from reform. When the weather is relatively good and vegetable supplies are relatively normal, their prices are relatively stable and even drop sometimes in some cities. However, with the expansion of cities, abnormal seasonal weather and the readjustment of the rural industrial structure, the area of vegetable fields in suburban arable land and the amount of vegetables on the market is reduced; many problems with vegetable supplies emerge. Particularly from the 2d half of last year to spring this year, vegetable supplies in many cities ran short, prices increased and the people poured out endless grievances and complaints. This has already become a salient problem in urban work.

Where does the solution of the vegetable problem lie? There is only one way out: To adhere continuously to the policy of reform. Only by carrying out reform can we further arouse the enthusiasm of the peasants for vegetable production and do a good job in supply and circulation, thus improving vegetable supplies and stabilizing prices. The fundamental orientation of reform is to relax control and to make more use of the law of value to arouse enthusiasm. In the purchase and marketing structure, it is necessary to enliven the market further through many channels, such as state-owned, collective, and individual enterprises. Nevertheless, to lift control over

prices completely, takes time. During the transitional period, our principle is the integration and relaxation of control. Regarding how much we must exercise and relax control; what the ratio of each is; and how we exercise control; we must take measures suited to local conditions. That is to say, we must take different measures according to the different situation of each city, including the natural condition and the people's habits and customs, especially the degree of development of the commodity economy. For instance, as the development of the commodity economy of Guangzhou is relatively high, prices are under less control but some must still be controlled. State-owned commercial enterprises must directly control some vegetables to ensure ample supplies in the off season. In the northern cities, autumn vegetables are supplied in a certain period and more control should therefore be exercised especially in winter and spring. However, control and its relaxation must, on the whole, be integrated. Control should be gradually relaxed and we must develop toward the commodity economy; lift control over prices; ensure market regulation; and use the law of value to arouse enthusiasm for production. Only by developing production can we improve supplies. While determining the degree of control and its relaxation, we must fully consider social bearability as if differs for people in each city. We must proceed from realities.

**Third, Vegetable Management Structure [subhead]**

The method in each city differs greatly. The relatively universal method is that production, wholesale, and marketing in a city are under different departments' control. The Agricultural Department controls production, the Commercial Department wholesale, the marketing network and points are owned by the state, collectives, and individuals. Management is, on the whole, carried out by separate departments. However, for vegetable work considered in its entirety there is a coordinating organ, such as the vegetable office and vegetable leadership group. This is a form of management. Another form of management is the integrated system for the procurement of supplies, production, and marketing. A citywide vegetable organ is set up and called either the vegetable company or vegetable bureau, controlling production, supply, and marketing in a unified way. Another is to control the wholesale and production links in a unified way and to delegate marketing power to the districts. Having studied and listened to the reports of the situation in all places, I hold that no uniformity should be imposed on the vegetable management structure at present and the method of management should be decided in light of the actual situation in each city. It is better this way. This means that we take measures according to local conditions. However, please note one problem. There is a contradiction which must be resolved. It is between small production and large demand. The market demand is gradually expanded but the scale of production is relatively small; basically with the system of contracted responsibilities on the peasant

on a household basis, with remuneration linked to output as the main system, production is more decentralized and there is a contradiction between production and the market. How to resolve this contradiction according to the principle of the commodity economy is a salient problem which needs solving to do a good job in vegetable production and supplies.

The method in some cities is now that they absorb the experience of big cities abroad in organizing the market and conform to the specific situation in which the commodity economy at the present stage is still underdeveloped. They have adopted the method of organizing a vegetable company or supply and marketing cooperative to provide the peasants with preproduction and postproduction services. The preproduction services include the supply of seeds and means of production, preferential prices, and ordering of vegetables by contract; postproduction services include transport and marketing. In vegetable field management, the system of contracted responsibilities on the household basis is still implemented to arouse the peasants' enthusiasm for vegetable field management. In this way, the two kinds of enthusiasm can be integrated. This can both maintain the peasants' enthusiasm for production and meet the market need through preproduction and postproduction services organized by the vegetable company or in other forms.

#### Fourth, in Vegetable Production, It Is Necessary To Develop Management to Suitable Scale [subhead]

In vegetable production, it is essential to lower the cost; enhance natural disaster-resistant ability; to popularize new varieties, and so on. This requires the expansion of the vegetable management scale, requiring a suitable management scale. In this issue, we cannot demand one pattern alone. As comrades of Chongqing City said, some peasants had only 0.1 to 0.2 mu of vegetable fields, inadequate conditions and could not tend their vegetable fields well. It is therefore imperative to advocate management to suitable scale and to encourage and support specialized households in vegetable farming. Under the present conditions in China, we must advocate this form. In addition, Nanjing City still maintains the form of production teams; is carrying out centralized or decentralized management of production; and is integrating centralized and decentralized management. Of course, this production team differs from the previous one. In production, they provide the peasants with preproduction and postproduction services in a concentrated way and vegetables are ordered by contract but in field management, the system of contracted responsibilities on the household basis is still implemented. It is essential to popularize new technology, to ensure that water conservancy facilities will be exploited and to require management to suitable scale to increase vegetable production. This problem must be included on the agenda for consideration. Management to suitable scale can not only raise labor productivity and lower the cost but is also beneficial in resolving the contradiction between small production and large demand.

At present, one reason for the short supply of our urban vegetables is the reduction in the area of vegetable farmland. Guaranteeing a certain area of vegetable farmland is therefore in fundamental link to improving urban supplies; we must use the "vegetable farm" to guarantee the "vegetable basket." In the light of their own situation, all cities must work out their own plans to guarantee a certain area. So far as the whole country is concerned, the per capita area of vegetable farmland is roughly 4 percent and the area of the farmland of vegetables supplied to every 1 million people should be 40,000 mu. Of course, the situation varies. As the multiple crop index of the southern cities is relatively high and they adopt interplanting and intercropping, their vegetable areas can therefore be smaller. In the northern cities, such as Harbin, as vegetables are produced in one season only, 4 percent is insufficient and 8 or 10 percent is required. In the light of their own situation, all places must guarantee a certain area of vegetable farmland. The method of guarantee is that some should adopt a mandatory plan and others a guiding plan. Regardless of the mandatory or the guiding plan, it is necessary to take effective measures to guarantee a sufficient area of the vegetable farmland. In this way, we can guarantee urban vegetable supplies.

In the past, most vegetables needed by cities came from the outskirts and a small quantity came from their outer suburbs. Following the changes, urban vegetable bases must now be extended from the outskirts to the outer suburbs, neighboring counties, and even other places, forming vegetable production bases at different levels. Generally speaking, in the outskirts, because the differential land rent is relatively high and the peasants' income higher, the peasants' enthusiasm cannot be aroused to grow popular vegetables. Furthermore, with relatively good parts of the infrastructure and conditions of the vegetable farmland of the outskirts, large sheds can be erected and plastic sheets used. Less popular vegetables must be cultivated as much as possible and their variety adjusted to meet the needs of relatively high-level consumers. Demand for less popular vegetables has continuously increased with the gradual improvement of the people's livelihood; this is an irresistible tendency. Even the families whose income is normal have to have some less popular vegetables, but a relatively small quantity. Second, the outer suburbs and neighboring counties must set up popular vegetable production bases to guarantee popular supplies. At the same time, it is essential to develop the vegetable bases of some other places by way of supplement. In one word, building solid and stable vegetable production bases and giving play to different functions at the different levels is the key problem in guaranteeing urban vegetable supplies.

#### Fifth, Grasp Several Salient Problems of Vegetable Supplies [subhead]

1. Vegetables in off seasons. According to natural conditions, there are off seasons for vegetables from the north to south; spring and autumn off season. The degrees differ; when weather conditions are good, the off season



will be slightly shorter, after a disaster, it will be slightly longer. Therefore, there is a problem of "making up for the off seasons" in vegetable supplies. Judging from the situation in question, there are many solutions. One of them is to build off season vegetable production bases. According to China's geographical conditions, weather conditions in the north and south vary. We must make use of the differences to build off season vegetable production bases outside our cities; Beijing Municipality's autumn vegetable base in Zhangjiakou is a relatively successful experience. Harvest time in Zhangjiakou comes 1 month later than in Beijing so vegetables can be supplied to Beijing in August and September in the off season. In addition, the northeast can be supplied with some off season vegetables from Guangdong and Hainan Island, and Xian in Sichuan. In this matter, it seems that we all must widen our field of vision and build more off season vegetable production bases to meet the needs of our cities. In the long run, if the bases are closer to cities it will be more economical. It is not good to transport vegetables from the far south to the north and we must try to look for places closer to our cities to develop the bases. For example, Xian City can take Hanzhong Prefecture under consideration. Some traditional methods of ensuring ample supplies in the off season cannot be given up. Vegetable off seasons have existed throughout history. We cannot say that they have just appeared. There were also off seasons at the time of state monopoly for purchase and marketing and of eating out of the same big pot in the past. The traditional method of tiding over during the off seasons, such as drying vegetables, preserving vegetables, and making bean products, must be encouraged and utilized. When we ensure ample vegetable supplies in the off seasons or encounter natural disasters, we must develop some rapid-growing vegetable varieties, like the small Chinese cabbage and hollow-stemmed vegetable. We must find more scientific and technological solutions and develop new varieties to tide over during the off seasons.

2. On the problem of vegetable prices. In the wake of the development of the commodity economy and increase in price of the means of production for agricultural use, it is impossible to fix vegetable prices at an invariable level, nor is it possible to rely completely on subsidies. However, the masses cannot accept too many increases. Therefore, if the prices increase little, it will be beneficial in arousing the enthusiasm of the peasants but the range must be acceptable to the masses.

3. There is also a problem of vegetable storage of northern supplies. In the northern municipalities and cities, including Beijing, Tianjin, and Shenyang, Chinese cabbage is the main vegetable for urban residents for approximately half a year, it is necessary to do a good job in production and storage. If this work is not done well, it will affect vegetable prices for half a year and even spring vegetable prices. This is a characteristic of the northern cities. Vegetable supplies cannot be excessive. If they are, it is essential to protect prices and the peasants' enthusiasm for cultivation. Vegetables cannot run short. If

they do, prices will rise very high and the masses will complain. It is very hard to ensure a complete balance of production and marketing. It is therefore imperative to have a social guarantee. The present method is to establish vegetable risk funds. Under the influence of natural disasters, certain subsidies can be given to the producers and operation departments. These funds can come from various channels. One is to draw one thousandth of the total amount of sales and another is to draw a part from the fee for the possession and use of vegetable farmland. A part can also be drawn from the balance of the vegetable subsidies and so on. In this way, it is advantageous for the protection of vegetable peasants and consumers from having their basic interests infringed upon.

Vegetable production is very seasonal and unavoidably risky. To maintain the peasants' enthusiasm for production, the State Council and localities must also implement a series of preferential policies; give support to the vegetable peasants; increase input; and gradually embark on some basic facilities, such as sprinkling irrigation, soil improvement, scientific and technological input, supply of the means of production for agricultural use, guarantees of the peasants' ration, and an increase in some equipment for storing and transport. The local government especially must give more support to improve production and operation. A problem of which the peasants are now complaining is that the means of production, particularly plastic sheets, chemical fertilizers, and agricultural chemicals, are in relatively short supply and that the prices are continuously rising. Of course, this is not only a problem of the vegetable peasants but of agricultural production as a whole. The State Council is to take measures to expand production abilities and to increase chemical fertilizer and plastic sheet supplies in 5 years. The amount of yearly imports is not small. It is necessary to develop and tap the potential chemical fertilizers and plastic sheet production. Another problem is that state channels for distributing and supplying the means of production for agricultural use and state channels for management are confused; that there are many intermediate links; and the selling prices are very high. Moreover, the means of production cannot be supplied promptly. This is a very troublesome problem for the peasants. If it is not solved, the economic results of the materials cannot be brought into play and the relations between the state and peasants will be affected. The State Council is considering how to solve this problem and some provinces and cities have also taken measures. For instance, chemical fertilizers come from different channels, some are cheap, some are imported, some are produced cooperatively, and their prices vary. However, after they come to a province or a prefecture, their prices are unified, a monopoly is made, and supply and marketing cooperatives or a commercial system is designated to deal exclusively in several kinds of means of production to reduce the intermediate links and to ensure the supply of the means of production to the peasants. The State Council is studying this problem. We also hope that all provinces and cities will consider this problem, if such

measures can be adopted and how to manage this matter well, so that the peasants can benefit.

**Sixth, Mayors Must Personally Oversee Vegetable Farming [subhead]**

Finally, I wish to talk about one point: Vegetable production, marketing, and management is very complicated work and involves all links of the cities. Apart from the vice mayor who is in charge of the vegetable work, the mayor must be concerned with vegetable production and supplies. Of course, we are talking about vegetables today but must also be concerned with the production and supply of meat, eggs, poultry, and grain. Today when the symposium on vegetables is held, we must emphasize especially that vegetable work should be done well and that mayors must personally oversee vegetables, coordinate the relations of all quarters, and give guidance to and show concern for vegetable work. The work of a city must be appraised by the masses. At that time, whether vegetable supplies are good or bad will become an important criterion for assessing the achievements of the mayor and the leadership group in their official careers. We hope that the city government leadership groups will really oversee vegetable work, develop production, improve supplies, stabilize the prices, increase the varieties, organize the market, resolve all contradictions, and satisfy the citizens. I hold that this is very important work which our government at all levels, particularly city government, must grasp firmly. I hope that this symposium can promote the vegetable work of the 10 cities.

Furthermore, I believe that if the 10 cities can do well in vegetable production and supply, it will bring along other cities throughout our country, play the leading role, and push urban vegetable work forward.

**Li Peng Instructs Sichuan Over Boat Mishap**  
HK2507060688 Beijing ZHONGGUO XINWEN  
SHE in Chinese 0942 GMT 24 Jul 88

[Report: "The Sunken Ferry's Position in Sichuan Has Been Found, Salvage Work Will Start Soon"]

[Text] Chengdu, 24 Jul (ZHONGGUO XINWEN SHE)—So far, 19 corpses have been retrieved from the water after a ferry sank in the Min Jiang in Sichuan on 21 July. The accident caused many casualties. Eight of the retrieved bodies were men and 11 were women. Now, 159 people are still missing.

The Sichuan Provincial People's Government General Office issued a briefing at 1100 today, saying that through surveying the river, the department concerned has found the position of the sunken ferry, "Chuan Yun 24," which sank on 21 July after striking a rock. The undercurrents of the river pushed the wrecked ferry away from its original place. The salvage ships and divers have now arrived at the scene. It is expected that many bodies

of the victims are still trapped in the wreck. Today, the salvage plan is being worked out, and the work will start as soon as the plan is ready.

This reporter browsed over the namelist of the missing passengers at the command post for the salvage work. Most missing people are residents in the nearby Huzhou, Neijiang, Chongqing, and Yibin areas. For example, 72 missing passengers are residents in the Yibin area. The oldest is Mao Fengzhen, an old woman; and the youngest is 6-month-old Zhang Wenting.

An official of the command post in Jianwei County told ZHONGGUO XINWEN SHE this morning: "Chuan Yun 24" was a short-distance ferry boat, and many passengers boarded the ship or disembarked at various piers along the river. Many passengers were not registered when they boarded the ship. So it is hard to find out the accurate number of the missing and the dead in a short time."

After the serious shipwreck on the Min Jiang occurred, State Council Premier Li Peng instructed Sichuan Province to properly deal with the aftermath of the shipwreck and rapidly find out the cause of the accident. Sichuan Governor Zhang Hao, Vice Governor Ma Lin, and officials of the departments concerned inspected the accident scene and expressed sympathy and solicitude for the injured people and their families.

**Rong Yiren Meets Foreign 'Experts' on Reforms**  
OW2507115288 Beijing XINHUA in English  
0436 GMT 25 Jul 88

[Text] Beijing, July 25 (XINHUA)—Rong Yiren, vice-chairman of the Standing Committee of the Chinese National People's Congress, conferred with 17 Chinese and foreign experts on China economic reform here today.

The 17 experts headed by A.J. Joseph, assistant administrator and regional director for Asian and Pacific of the U.N. Development Program, are here to attend a three-day inter-country seminar on enterprise reforms that opened earlier today. The seminar sponsored by the program has centered its discussions on the government's function in the reforms, enterprise development and its environment, and enterprise development and its ownership.

At the meeting, Rong welcomed the participants to set forth their suggestions and opinions on China's economic development.

He expressed his gratitude to the U.N. Development Program for its support to China's economic development and the hope to further expand cooperation between the two sides.



**Bo Yibo, Li Ximing Attend Watermelon Festival**  
SK2207073688 Beijing BEIJING RIBAO  
in Chinese 3 Jul 88 p 1

[Excerpts] The first Daxing County watermelon festival, cosponsored by the Daxing County People's Government and the tourist industrial development company in the city outskirts, ended yesterday evening. Over the past 5 days, more than 500,000 people from all circles in the municipality and from 19 fraternal provinces and cities attended this grand watermelon festival. [passage omitted]

On 29 June, Bo Yibo, vice chairman of the the Central Advisory Commission, attended the watermelon festival activities with great interest. Comrade Bo Yibo also went to the Banbidian Forest Park in Daxing County to see the reforestation achievements of the county and happily wrote an inscription for the county's first watermelon festival. The inscription reads: Plant and harvest watermelons to ensure a supply for the capital; plant trees to hold back the wind and the sand; and enable green trees and sweet watermelons to invigorate Daxing.

Responsible central and Beijing municipal comrades, including Li Ximing, Wang Bingqian, Chen Xitong, and Liu Jingji, also attended the watermelon festival activities along with the masses.

**Li Tieying Inspecting Gansu Province**  
OW2607071788 Beijing XINHUA Domestic  
Service in Chinese 1124 GMT 23 Jul 88

[By reporter Wang Jianyong]

[Text] Lanzhou, 23 Jul (XINHUA)—While inspecting Gansu Province, Li Tieying, member of the Political Bureau of the CPC Central Committee, state councillor, and minister of the State Education Commission, stressed the need to train large numbers of educators who understand the socialist commodity economy and know how to educate a new generation of personnel with the "four haves" (to have ideals, morality, knowledge, and physical strength).

From 14 to 16 July, Li Tieying, along with Liu Bin, vice minister of the State Education Commission, and Jiang Jiafu, vice minister of the State Nationalities Affairs Commission, inspected Gansu's Gannan Zang Autonomous Prefecture, Linxia Hui Autonomous Prefecture, and Dingxi Prefecture. During his tour, Li held talks with local party and government leaders, teachers, and people in religious circles many times about how to revitalize education. He praised the way some local governments in Gansu have been encouraging living buddhas and lamas to run schools and promote vocational education. He pointed out: To adapt to the development of a socialist commodity economy, be able to cultivate thousands upon thousands of capable workers, and thoroughly change the current situation in which education has lost contact with the reality of production, we must, first of all, have large numbers of educators

who understand both the socialist commodity economy and education, in addition to getting earnest support from party and government departments at all levels. We need not only good teachers but also good school principals. A principal is the core of a school's administration and is the teacher of teachers. In line with the fundamental objective of education, which is to teach knowledge and educate people, a school principal shoulders an important task of leading and managing teachers and improving their quality. A school principal should be the person who knows education best. Party and government leaders at all levels should boldly support principals and look for future principals among prestigious teachers. One of the important tasks of various colleges for teachers' advanced studies is to cultivate qualified principals and vice principals, which means running principal training classes and inviting experts in all fields to teach the classes. These colleges should arrange to run classes every winter and summer vacation for 4 or 5 consecutive years to help a principal become truly competent at his job.

Comrade Li Tieying added: Instead of assigning another person to fill the post of party branch secretary, it is better to have the township party committee secretary act concurrently as school party branch secretary at primary and high schools in rural areas. A school principal should be given a free hand in his work and, when encountering difficulties, be able to get help from the township party committee secretary. The purpose is to give support to school principals; after all, the Communist Party is aimed to serve the people.

Li Tieying noted: The current rising enthusiasm for education promises hope for the invigoration of education. The task of comprehensively improving educational, scientific, and cultural standards of the whole Chinese nation and of the quality of Chinese workers is most fundamental, and of utmost significance and great meaning. We must also thoroughly change our educational concept, which is based on a product economy. On the one hand, we must rely on party organizations and government at all levels to energetically promote education. On the other, education is an undertaking of the people, and directly concerns their prosperity, future, and interests. It is, therefore, very important to foster the concept of the people promoting education and education serving the people.

Li Tieying said: We shall give those who contribute greatly to education due honors and recognition. Apart from rewarding teachers, it is also necessary to reward government leaders doing everything within their power to promote education, such as county magistrates and provincial governors. We should boldly liberate our minds, earnestly reward people making contributions as in the war years, and turn Teacher's Day into a grand holiday.

**Song Jian Urges Training 'Young Sparks Leaders'**  
OW2307013088 Beijing XINHUA Domestic  
Service in Chinese 1200 GMT 18 Jul 88

[By reporters Zhang Sutang and Zhuo Peirong]

[Text] Beijing, 18 Jul (XINHUA)—The State Science and Technology Commission and the CYL Central Committee recently decided that beginning September a long-range plan will be carried out throughout the country to train "young sparks leaders," i.e., educated young people in the countryside will be encouraged to get involved in the "Sparks Program" and become leaders in developing commodity production in the rural areas.

The plan was drawn up at the proposal of State Councillor Song Jian. Song Jian noted: Sixty percent of the nation's 60 million CYL members are in the countryside. They are a gigantic force. We should promote the cooperation between the State Science and Technology Commission and the CYL Central Committee and bring the role of the CYL into full play to speed up commodity economic development in the rural areas. The development of sparks projects shows that, in 3 to 5 years, older people will not be able to compete with young people in this area. Whether China can be saved depends on the younger generation.

The purpose of training "young sparks leaders" is to train a large number of young people in the countryside to become commodity-minded personnel who are knowledgeable in science and technology and business management, and who will later educate other young people in the countryside to become modern farmers. The training plan is timely because personnel knowledgeable in science and technology are badly needed in reform and economic development in the rural areas, and it will also upgrade the technical training of young people and other training projects under the "Sparks Program" in the rural areas.

People to be trained to become "young sparks leaders" are primarily young directors and managers of township enterprises, young people who are heads of good-sized technically managed specialized and demonstrative households. The training includes studying modern and practical science, technology, and management; undertaking projects of disseminating "sparks;" and discovering and supporting young talents. This year, the training program will begin in Heilongjiang, Jilin, Hebei, Shanxi, Shandong, Fujian, Guangdong, Hubei, Henan, Shaanxi, and Sichuan—provinces where the "Sparks Program" started quite early and provinces that have already had a sound foundation in this area. The scope of training will be broadened next year. It is planned that approximately 10,000 people will be trained annually.

The training plan will be carried out in such a way that colleges and research institutes will be commissioned to sponsor training classes, and that qualified teachers will be invited to teach. Other available training facilities will

be fully utilized. Support services will be provided by various social sectors under the coordination of science and technology commissions and CYL committees of various counties.

A number of outstanding "young sparks leaders" will be commended by the CYL Central Committee and the State Science and Technology Commission around national day next year. "

**Report on Fall 1987 Exercise Off Spratly Islands**  
OW2607012488 Beijing Domestic Service in Mandarin  
2230 GMT 231 Jul 88

[Excerpt] [passage omitted] In order to coordinate missions by our forces to conduct patrols, construction, and defense of the Nansha [Spratly] Islands, a naval task force carried out a coordinated exercise in the open sea of the western Pacific Ocean last autumn. A naval squadron set off from a certain anchorage on 10 October. On the morning of 11 October, it passed through Gonggu Shuidao as planned, and entered the western Pacific. The warships then crossed the 17th parallel to enter Balingtang Strait. This is an important sea lane in the Pacific Ocean. It is very common for naval and merchant vessels from various countries to pass through here. The sea was rough, and the ships rolled heavily. Even seasoned seafarers had to endure the agony of seasickness.

Suddenly, the battle sirens on board the warships screamed. When the order to prepare for battle was given, the officers and sailors immediately forgot their seasickness, and took up their battle stations in great spirit. The radar scanned and the computers calculated. Naval guns and missiles swiftly completed firing preparations. At that moment, radar reported that the "Blue Team" had launched a sudden attack against us, and had fired missiles at our escort ships. The second tactical group of our fleet immediately changed course to better position itself. It closed the enemy, and returned fire with intensity. It also very quickly received fire support from the first tactical group, and beat the "Blue Team" into disarray. After that, the fleet swiftly took up an inverse triangular antisubmarine formation, broke out of the submarine blockade set up by "Blue Team", and speedily sailed through the Balingtang Strait.

Not long after the fleet entered South China Sea, it reached the motherland's Xisha [Paracels] Archipelago. There is a martyr shrine on Xisha's Chenhang Dao. Eighteen martyrs, who sacrificed their lives during the battle to recover Xisha in January 1974, rest here. The sailors swept the graves of the martyrs, and offered their solemn salute to their comrades who had given their lives for the motherland. After that, they continued their journey.

Several days later, the fleet arrived at the destination of its southbound journey, the Nansha Archipelago. The fleet's chief of staff personally led the second tactical



group in carrying out reconnaissance of the four small islands occupied by Vietnam. On Baijiao Dao, they observed that the Vietnamese troops had constructed a two-storied wooden house on stilts. A few Vietnamese soldiers were seen loitering around the island with guns in their hands. On Anbo Shazhou, the Vietnamese troops have constructed an observation tower, and placed their artillery there. Faced with foreign aggressors, the sailors were fraught with indignation, and swore that they would not allow aggressors to trample China's sacred islands at will.

On 25 December the "Blue Team" fleet reached Zhengmu Ansha waters, the southernmost edge of our motherland. To the solemnity of the National Anthem, the fleet raised the national and Bayi military flags, and held a military review. On behalf of the fleet officers and men, the political commissar and chief gunnery officer of naval ship Number 534 lightly sprinkled, on the surface of the sea around Zhengmu Ansha, a handful of earth brought from the mainland. This symbolized that the Chinese Navy had arrived at Zhengmu Ansha, and joined it up with the mainland. [passage omitted]

**State Council Decree on Servicemen Regulations**  
*OW2607044188 Beijing XINHUA Domestic Service*  
*in Chinese 2258 GMT 24 Jul 88*

[Text] Beijing, 25 Jul (XINHUA)—Decree of the State Council of the People's Republic of China

No 8

The "Regulations on Compensation and Preferential Treatment for Servicemen" was approved by the 11th Executive Meeting of the State Council on 28 June 1988, and are hereby promulgated. The Regulations will go into effect on 1 August 1988.

[Signed] Li Peng, premier

[Dated] 18 Jul 1988

**New Regulations on Military Pensions Adopted**  
*OW2507152188 Beijing XINHUA in English*  
*1418 GMT 25 Jul 88*

[Text] Beijing, July 25 (XINHUA)—New regulations concerning military pensions and relief will be issued tomorrow. Fan Baojun, vice-minister of civil affairs said at a news conference here today.

The regulations, coming on the eve of the 61st Anniversary of the Chinese People's Liberation Army, are the first since temporary military welfare measures were passed in the 1950's.

Payments have been mushrooming as the economy has grown. Between 1979 to 1987 they totalled 5.19 billion yuan, considerably more than the aggregate of the previous 29 years.

Fan said the old relief regulations no longer suit the present situation.

**Li Peng Signs Order**

*OW2607023088 Beijing XINHUA in English*  
*0150 GMT 26 Jul 88*

[Text] Beijing, July 26 (XINHUA)—The State Council has issued a set of "relief and complimentary regulations for army servicemen" to mark the 61st anniversary of the founding of the Chinese People's Liberation Army.

According to an order signed by Premier Li Peng, the regulations will come into force August 1.

The 45-article regulations cover active and retired servicemen, relatives of servicemen, the revolutionary martyrs, and families of servicemen who have died of accident or disease.

The regulations say the government, social organizations, enterprises and ordinary citizens all share in the responsibility for looking after servicemen and their families.

Families of volunteer servicemen who die while in service, will be entitled to relief from the Ministry of Civil Affairs.

Families of decorated soldiers who die while in service will get more depending on the honors the soldier had received.

Relief payments will be scaled according to living standards of different areas of the country.

Wounded and disabled soldiers will receive pensions fixed to the income of average workers. For those completely disabled, the relief will be similar to an average worker's income.

Local governments are expected to help out in those cases where the relief and benefits are just not enough.

The regulations state that relief and benefits cease in the event the recipient is convicted of a crime and sent to prison. Serious offenders will lose all their rights.

**State Council Not To Push New Price Measures**

*OW2507151388 Beijing XINHUA in English*  
*0737 GMT 25 Jul 88*

["State Council To Offer No More Measures for Price Adjustment This Year"—XINHUA headline]

[Text] Beijing, July 25 (XINHUA)—The Chinese Government has decided not to push ahead with new price measures in the latter half of this year, State Council Spokesman Yuan Mu announced here today.

Yuan said the purpose of the State Council decision is to curb the recent nationwide phenomenon of price rises.

He called on all provinces, municipalities and autonomous regions to keep pace with the central government and tighten their control in a bid to "resolutely stop" other price increases, except for those of cigarettes and liquor, which will be allowed to float.

However, he noted, "since the price of paper has risen by a big margin in the past few years, newspaper sales prices will be raised from January 1, 1989, with this autumn's subscriptions reflecting this."

Speaking about newly announced measures to free the prices of well-known brands of cigarettes and liquor and raise the prices of some products, Yuan said, "these measures were adopted after careful consideration by the State Council."

He said the free prices and market readjustment will help clear up malpractices brought about by the double-track pricing system (government-fixed prices in tandem with free-market prices).

He also drew attention to the effect this will have on curbing speculation and profiteering.

According to incomplete statistics, China discovered 120,000 cases of speculation and profiteering in the cigarette business, as well as fake brands, last year alone. These were attributed in large part to the irrational pricing system.

As far as daily necessities are concerned, the State Council has decided that the prices of grain and oil rationed for urban residents will remain unchanged, and the difference between the purchase and sales prices will continue to be subsidised by the state.

The State Council also decided to boost the output of vegetables, pork, eggs and other daily necessities.

To this end, Yuan urged related departments and regions to ensure the supply of fertilizers, pesticides, plastic sheeting and other farm production materials.

#### **Spokesman Says Price Index Up 13 Percent**

*HK2507133188 Beijing JIEFANGJUN B 10  
in Chinese 20 Jul 88 p 4*

[Report by Liu Xinru (0491 2450 1172): "China's General Price Index for the First Half of 1988 Rose 13 Percent"]

[Text] Beijing, 19 Jul (JIEFANGJUN BAO)—The commodity price issue became a focus of attention for Chinese and foreign reporters during a news briefing held here on China's economic situation in the first half of this year.

When depicting the gratifying trend of economic development, Zhang Zhongji, spokesman for the State Statistics Bureau, did not conceal some "worrying" facts from reporters. Statistical data show that in the first half of this year the general retail price index rose 13 percent over the same period last year, while the price index of living costs for staff members and workers in 32 large- and medium-sized cities rose 14.4 percent on the average. The spokesman briefly depicted the situation in commodity prices in the first half of the year as "excessively drastic price increases and a wide margin of price adjustment." He frankly admitted that the continuous increase in commodity prices on the market had caused an "abnormal fluctuation in the purchasing prices of commodities on some local markets," which had in turn affected the living standards of retired staff members and workers, government functionaries, and staff members and workers of those enterprises which made little profit and suffered losses.

Sources in the economic circles hold that the commodity price index published by the government closely accords with the public's real feeling.

This reporter asked the spokesman: The commodity price index rose in the first half of this year, although the government has not introduced any significant price reform, what are the main causes of the drastic increase in commodity prices? Zhang Zhongji replied: The fundamental cause of the price increase lies in the aggravation of the contradiction between the aggregate demand and supply of society. This contradiction has existed for several years. Although production output has increased pretty fast since early this year and further progress has been made in the supply side, the demand of society has increased still faster. According to a preliminary estimate based on the current price level, the aggregate supply increased 17.2 percent in the first half of this year while the aggregate supply increased 31.4 percent. The growth in the state's financial expenditures has exceeded its financial revenue, and the institutional purchasing power of society has increased too fast. The second cause of the price increase is that there are too many intermediate links in commodity circulation, and some "speculators" have taken advantage of the current "double-track system" regarding prices to jack up commodity prices and make staggering profits. The third cause of the price increase is that the prices of nonstaple foods and some other commodities which have been on the lower side for a long time have risen quite drastically since the price readjustment. In the first half of this year, the prices of foodstuffs have risen 16.9 percent, pushing the general level of retail prices up 7.6 percent. The prices of clothing and other industrial consumer goods have increased about 10 percent on the average, pushing the general level of retail prices up about 4 percent. Meanwhile, the government has been deficient in certain aspects of commodity price control.



The spokesman held that the increase in the general level of commodity prices is inevitable in the course of reform, and a moderate price increase is favorable to economic development.

A foreign reporter asked Zhang Zhongji what measures would be taken to deal with the increase in commodity prices. Zhang replied: As far as I know, the government has attached great importance to the issue of rising prices. The State Council has discussed the issue many times and is going to introduce nationwide supporting reforms concerning commodity prices and wages. At present, four measures will be taken: First, the scale of investment in capital construction will be further reduced; second, the state's financial expenditures will be curtailed, and the institutional purchasing power of society in particular will be kept under control; third, it is not allowed to introduce any new price readjustment measures in the latter half of this year; and fourth, the enterprise reform will be carried out in depth with a view to improving economic returns.

Analyzing the current economic situation, sources from the local economic circles emphasized that the reform in China has now entered a crucial stage; a task of top priority for China is to resolutely implement the principle of "stabilizing the economy and deepening reform" and to make great efforts to increase production of marketable goods, with the focus placed on economic returns. At the same time, it is necessary to pay attention to agricultural production, so as to ease the contradiction between supply and demand and to prepare favorable conditions for straightening out price and wage relations.

**LIAOWANG Assesses Reform, Economic Situation**  
HK2607142388 Beijing LIAOWANG  
in Chinese No 29, 18 Jul 88 p 3

["LIAOWANG Forum" by Xu Yaozhong (1776 5069 0022): "An Assessment of the Economic Situation in the Past 6 Months—Reform and Development Complement Each Other"]

[Text] How is the economic situation in our country? There are various comments in society. Some people say that the situation is good, but others say that the situation is very bad; some people say that things are acceptable, but others say that things are unbearable. In view of the actual conditions in the first 6 months of this year, the economic situation is rather good.

In agriculture, although natural disasters occurred frequently in the first half of this year and the sowing area decreased, the summer grain output still slightly exceeded last year's level. In industry, the total industrial output value in the first half of this year reached 577.3 billion yuan, showing an increase of 17.2 percent over that in the same period of last year. There were also the following characteristics in industrial production: First, production growth in various months was rather even and steady. Second, the proportions of light and heavy

industries respectively account for half of the industrial output value, and there was no lopsided development. Third, the product structure was further improved, and energy, raw materials, other daily use industrial goods in great market demand and in short supply, and goods to be used in agriculture were increased by a bigger margin. The production of goods in stockpile was brought under control. Fourth, economic results in industrial production were also improved. When production increased by a big margin, enterprises also increased their profits and tax contributions by a big margin. In the field of capital construction, key state projects made quicker progress. It is estimated that the capacity of generator sets being put into operation in the first half of this year reached 3 million kilowatts. This is an all-time record. In commerce, markets were brisk, and exports increased by a big margin. In the first 5 months of this year, exports increased by 31.2 percent and imports increased by 20.2 percent over the same period of last year. The trade deficit was further decreased. Foreign exchange reserves continued to increase.

The taxes paid by industrial enterprises, which account for 70 to 80 percent of the state financial revenue, increased by 8.3 percent in the first 5 months, and it is expected that the state financial revenue in the first half of this year may exceed 100 billion yuan, which marks an increase of 11 percent over the same period last year.

This year, the economic structural reform in our country has continued to develop in depth. The contracted management responsibility system in enterprises is being perfected and consolidated. This system is now being tested by the price changes. Reforms of the foreign trade system, the material distribution system, and the government administrative structure have also made new progress.

Of course, our economic situation is not completely satisfactory; there are still some problems. The main problems are as follows: First, prices rose too rapidly, and this added too heavy burdens to the enterprises. Second, the shortage of raw materials, energy, transport facilities, foreign exchange, and funds has not been mitigated yet. Third, economic results were still not good enough, and the production costs were still rising. The loss-incurring enterprises did not reduce their business deficits; instead, the losses increased by 20.1 percent over the same period of last year.

The good economic situation in the first half of this year was a new result of reforms and opening up. The existing problems can be solved only through further reforms and opening up. At present, the reforms of the price, wage, and labor systems, which are more difficult, have been started and are being gradually advanced. Our reforms have come to a crucial juncture. There are many complicated contradictions and difficulties, and we will have to face some risks. This requires the people throughout the country to unite closely and work with one heart and one mind to carry out the policies and decisions laid



down by the central leadership and to firmly advance by tiding over the difficulties so as to gradually establish a new order in the socialist commodity economy. This has a great bearing on the success or failure of the reforms and on the destiny of the Chinese nation.

The economic situation in the first half of this year also reminds us that it is necessary to soberly approach the rapid industrial growth and realize its positive and negative aspects: The high growth rate was accompanied by good economic results, and was not achieved through excessive importation of raw materials; and the products are generally marketable. However, the shortage of raw materials, electric power, transport facilities, and funds was thus intensified. In particular, bank loans increased too much, and the money supply could not be effectively brought under control. In the first 5 months of 1988, the money supply increased by 30 percent over the same period of 1987. If this tendency continues, the annual money supply in 1988 will greatly exceed the planned target. Various loans made by banks and credit cooperatives increased by 33.7 billion yuan above the figure of the same period last year, and the growth rate of industrial loans was the highest in recent years. Excessive increase in money supply and credit will push prices up and lead to inflation, and this will eventually worsen the overall economic conditions. Therefore, we should not artificially hold down the effective growth rate, neither should we blindly seek an excessively high growth rate. When arranging production in the second half of this year, all localities must give priority to achieving good economic results in light of their respective conditions and leave certain leeway to ensure the sustained and steady development of industrial production.

When we review the economic situation in the first half of this year, we find that the reforms have promoted economic development and that economic development has also provided better conditions for the reforms. In the second half of this year, so long as we continue to take the reforms as the key link to coordinate our work in all fields and continue to work in a realistic and down-to-earth manner, the economic situation in our country will develop more healthily.

**Report on Government-Related Speculation**  
*HK2507142688 Beijing RENMIN RIBAO*  
*in Chinese 14 Jul 88 p 1*

[Report: "Two Examples of Government-Related Speculators"]

[Text] Limousines' Immobile "Grand Tour," Price More Than Doubled on Transactions [subhead]

Five Soviet-made limousines were stuck in a Pingdingshan warehouse, but they had "traveled" over half of China and their price had more than doubled. All those involved in the speculation came from companies operated by state material supply departments.

Last June, the Zhongnan Automobile Trading Center sold five Soviet-made "Lada" limousines, stored in a Pingdingshan City warehouse in Henan, to the Production Material Service Company of Xinhui County Material Supply Bureau, Guangdong, at 36,900 yuan each. While waiting for delivery, the buying company, on 17 March this year, sold its authorized transaction bill to the Jiangdu County Material Supply Trading Center in Jiangsu Province at a drastically increased price of 64,000 yuan for each car; the bill was in turn sold back to the Pingdingshan City Production Material Service Company, the price for each automobile now being 69,500 yuan. The Pingdingshan City Production Material Service Company never took delivery, and the five limousines were displayed for sale at the Pingdingshan Material Supply Trading Center, each at 75,000 yuan.

**Big Speculation on Rubber in One and the Same Place and 500,000 Yuan Profit Made [subhead]**

Rubber sold to a certain enterprise on the pretext of an urgent production need underwent five rounds of speculation by several Jinzhou City enterprises, netting a profit of 500,000 yuan, before it ever reached the buyer.

In September 1987, the Jianxi Supply Station of Luoyang Production Material Service Company in Henan Province purchased 353 tons of shunning rubber from the Jinzhou Oil-Refinery Factory at 3,900 yuan per ton. Instead of collecting the goods, the station sold 152.8 tons of the rubber at a higher price to the Jinzhou City Huaqiao Enterprise Company, gaining 507,000 yuan in profit. The buying company then resold the goods to two companies, the Taihe District Production Material Service Company and the City Chemical Industrial Company, both in Jinzhou City. These two companies again sold the goods to the Jinzhou Chemical Industrial Supply Station of the Chinese Chemical Industrial Building Material Company. 353 tons of rubber was speculated on five times while it remained in Jinzhou, and its price was pushed up to 5,730 yuan a ton. The total profit netted in between was around 570,000 yuan.

**Commentator Urges Crackdown**  
*HK2507142888 Beijing REMIN RIBAO*  
*in Chinese 14 Jul 88 p 1*

[Commentator's article: "Crack Down on Government-Related Speculators"]

[Text] The limousines stayed right in the warehouse all the time when they were "traveling" over half of China, and their price doubled in the process. Second case: Rubber urgently needed by an enterprise became the object of speculation and was never delivered into its hands—the middlemen were profiteering. A glimpse of the harm done to the country and customers by speculation and profiteering on goods in high demand can be caught in the two cases revealed in today's issue.

Goods in short supply are speculated on by companies with which government officials are closely involved. The masses have a name for them—"official speculators" or "big brother speculators"—a breed much more harmful than numerous "unofficial" small speculators. The nodal point of the "official speculators" lies in the coordination of officials and entrepreneurs, with administration and business blending into one, the same personnel under supposedly two different organizations, straddling administrative rights and business operations. Cases where government officials are mixed up with companies take many forms. Some officials, with the titles of "board directors" or "advisers," make powerful connections for their companies, give favorable recommendations, pull strings, and generally serve as their backers. And some retired cadres, without office, set up their own companies and continue to exercise their "residual power" while shouting about making use of their "residual energy." These "administration-business complexes," exploiting the powers they have in their hands, speculate and profiteer on goods in tight supply and reap fast fortunes. And in the process naturally many abuses take place: graft and bribery, misappropriation and embezzlement.

Though they all sing the praises of revitalizing the economy and developing productive forces, their actions do not create any material wealth. Quite to the contrary, they burden the circulation network, lengthen its cycle, and fuel price hikes, consequently increasing the burden on enterprises and consumers and hindering productive forces; in short, wrecking socialist commodity economic order. Furthermore, collaboration between officials and businessmen will seriously corrode the cadre force. The government and party image will be tarnished, people's motivation for reform and reconstruction will be frustrated, and in the end even the general situation of reform and reconstruction will be affected.

When officials and businessmen collaborate, maladies of all sorts will rear their heads—a condition which holds no matter when or where. Repeated exhortations from the central authorities and the State Council, that neither party nor government organs nor cadres in their own capacity are allowed to engage in commercial activities, have come to no avail. In some regions and departments, there are comrades who are blind to everything except money, and, offering the excuse of developing the commodity economy, simply ignore these warnings and continue with their abuses. Ours is the ruling party. Ours is a government that works for the benefit of the people. It should be a government free of corruption. And at a time of reform, party members and cadres should all the more be upright and honest. Such is the way to unite people and bring their hearts and minds to overcoming obstacles and enduring ordeals.

"Official speculation" is a negative phenomenon deviating from the grand process of reform. "Official speculators" thrive on the double-track price system, incomplete market system, and inefficient legal supervision.

To tackle this problem, we need to push through price reform to arrange a more reasonable price system and improve legal institutions to make possible a market in which fair competition is the order. In other words, to go back to our case, we need to rid ourselves of the soil that nourishes "official speculators" through deepening the reform. This is speaking of fundamental treatment, which takes time. As for the present, we must strengthen ideological education and education in law and discipline, sort out of those companies with official collaboration, and take legal action to crack down on "official speculators." This can and should be done right now.

**State Council To Adjust Liquor, Cigarette Prices**  
*OW2607074688 Beijing XINHUA Domestic Service*  
*in Chinese 0116 GMT 25 Jul 88*

[Excerpts] Beijing, 25 Jul (XINHUA)—With the approval of the State Council, prices of famous brand cigarettes and liquor will be decontrolled and set nationwide by market conditions beginning 28 July. At the same time, prices of some high- and middle-grade cigarettes and grain liquors will be raised. [passage omitted]

To narrow the gap between prices of various categories of cigarettes and liquor after decontrolling prices of some brands, it has been decided to raise the price of some high- and middle-grade cigarettes and grain liquor. The retail prices of cigarettes made of grade-A flue-cured tobacco will be raised by an average of 0.34 yuan per package in places of production, an increase of 38.8 percent. The price of grade-A blended cigarettes will be raised by an average of 0.2 yuan, an increase of 23.1 percent. Prices of grade-B1 cigarettes will be raised by an average of 0.07 yuan, an increase of 13.4 percent. Prices of some brands of grade-B1 cigarettes and cigarettes of grades B2, C, D, and E will not be raised. Among grain liquors, retail prices of high-quality white spirit approved by ministries, provinces, autonomous regions, or municipalities concerned will be raised by an average of a little more than 20 percent in places of production. The margin of increase for some more famous brands will be a little greater. Prices of those currently selling at 3 yuan or lower a bottle will be raised by the same percentage for ordinary qu wine. Prices of ordinary qu wine will be raised by 0.2 yuan or a little more a bottle, and prices of ordinary white spirits in bottle or bulk will be raised by 0.1 yuan or a little more a bottle (or every 500 grams). Prices of some categories or in some localities that are much lower than the average prices will be raised by a greater margin. Prices of beer in easy-opening cans will be raised by 0.6 yuan a can. Prices of Qingdao beer will be raised by 0.4 yuan a bottle while prices of other state-approved high-quality beer will be raised by 0.3 yuan a bottle, bottled ordinary beer by 0.2 yuan a bottle, and beer in bulk by 0.1 yuan per liter.

Readjustment of cigarette and liquor prices through price decontrol and market regulation, particularly decontrol of famous brand cigarettes and liquor and delegation of pricing power to enterprises concerned, is an effort to gradually



form a new market mechanism and improve it by using the law of value. This will enable the cigarette prices to timely reflect the value and supply and demand conditions of cigarettes, and has a great significance on readjusting the cigarette and liquor production structure, regulating supply and demand, changing consumption pattern, saving grain, cracking down on black market dealing, and increasing the state's financial revenues.

Reforming of the cigarette and liquor price systems is an important event in the people's economic life. The State Council urged the people's governments at all levels to truthfully strengthen their leadership over the work and orchestrate efforts by the price, light industrial, commerce, finance, tax, tobacco monopoly, industry and commerce administrations and propaganda departments to properly carry out relevant work, especially the work of publicizing and explaining the measures to be taken, in order to gain the people's understanding and support and ensure that the price system reform work will be carried out smoothly.

To maintain market stability, the State Council has decided not to raise prices of other items in the second half of this year. It also strictly prohibited departments concerned and all localities from making unauthorized price hikes by taking advantage of the price readjustment.

Under the unified leadership of local governments, price, industry and commerce administration, and supervisory departments at various levels should tighten price inspection. Units and individuals who disturb market order or drive up prices are to be sternly handled.

#### Spokesman on Adjustment

OW2507215188 Beijing XINHUA Domestic Service  
in Chinese 0735 GMT 25 Jul 88

[Text] Beijing, 28 Jul (XINHUA)—With the approval of the State Council, prices of famous brand cigarettes and liquor will be allowed to float beginning from 28 July. At the same time, prices of some high- and middle-grade cigarettes and grain liquor will be readjusted. This is an indispensable measure of the state to reform the irrational pricing system by combining relaxed control with readjustment. Since the measure will affect the interests of the state, enterprises, and some consumers, spokesman Yuan Mu issued the following statement on behalf of the State Council, in which he explained a number of pertinent questions:

1. The present decontrol of prices of famous brand cigarettes and liquor and readjustment of some high- and middle-grade cigarettes and grain liquor are aimed at guiding production, regulating supply and demand, channeling consumption, conserving grain, clamping down on black marketeering, and increasing financial revenues.

By allowing prices of famous brand cigarettes and liquor to float, that is, by shifting prices from state control to market regulation, we have taken an important step in reforming the pricing system. One of the objectives of the pricing reform is to have the state control the prices of a few important commodities and fees for labor services of vital importance to the national economy and people's livelihood, while gradually freeing the prices of the majority of commodities and labor service fees and have them regulated by the market. For example, the prices of cigarettes and liquor, consumer goods which do not fall in the category of daily necessities, should be allowed to float and be regulated by the market. In view of the large numbers of cigarette and liquor consumers, the price decontrol will have a strong impact on market commodity prices and hence must be carried out in a planned manner. We have decided to free the prices of famous brand cigarettes and liquor first primarily because there are only a few kinds and a limited output of them nationwide, while the demand for them far exceeds supply and there is an acute shortage of such consumer goods. Price increases, even if they are slightly too high, of these famous brand cigarettes and liquor as a result of the price decontrol will not have much social impact because most buyers are government organizations and individuals with high income.

As everybody knows, along with the rapid economic development and the acceleration of reform, urban and rural residents' living standards in China have improved markedly. At the same time, we are confronted with the problem of excessive growth of institutional purchases and individual consumption. Such an irrational consumption pattern is especially conspicuous as far as cigarettes and liquor are concerned. The more expensive they are, the more demand exceeds supply. In recent years, although prices of famous brand cigarettes and liquor remained nominally unchanged, they were hardly available on the market. On the one hand, prices were rather erratic, and these items were basically not kept in stock at state-run stores, or were sold together with other goods. On the other hand, a few unlawful elements engaged in speculation and profiteering, and resold cigarettes and liquor at exorbitant profits, thus disrupting the market and imposing additional burdens on consumers. The prices of famous brand cigarettes and liquor were forced to skyrocket, but producers and enterprises did not get the money and neither did law-abiding stores increase their revenues. The money, which should have gone into state coffers, slipped into the pockets of speculators. Reselling cigarettes and liquor at a profit is an unlawful act which seriously violates price control and cigarette monopoly regulations and other relevant rules and regulations of industry and commerce administration, and has drained state financial resources, undermined national interests, and aroused strong resentment in various quarters. Therefore, the State Council, after careful consideration, has decided to free famous brand cigarettes and liquor prices and have them regulated by the market in order to gradually overcome the malady of having a "dual" pricing system. In other words, from now on, prices of famous brand cigarettes and liquor will be decided by the producers and managing



enterprises themselves according to market demand in order to allow the law of value to play its full role, promote the market system, and better gear enterprises to the market. Producers and dealers may increase prices during the peak season and, when demand declines, promptly reduce prices. In this way, in addition to the necessary administrative means, an important economic measure has been adopted to deal with black marketeering.

While decontrolling the prices of famous brand cigarettes and spirits, the prices of some high- and middle-grade cigarettes and grain-made alcohol will be properly raised to keep rational price relations and facilitate the readjustment of the pattern of cigarettes and spirits production. In raising these prices, the factor of rising production costs has also been considered. In 1985 and 1987, the state successively increased the purchase price of high- and middle-grade cured tobacco (raw material for high- and middle-grade cigarettes). At the same time, the prices of fuel and packing materials have also been rising. As a result, the costs of cigarette production have gone up sharply. Moreover, the purchase price of grain has been repeatedly raised, and the grain for making alcohol has generally begun to be supplied at negotiated prices instead of government-set prices. It is indeed necessary to make proper readjustment of the prices because some cigarette plants and breweries are affected by the prices and are suffering losses.

The decontrol and readjustment of grain-made alcohol are mainly for the purpose of conserving grain and restricting grain consumption by breweries. In last few years, the output of grain-made alcohol has increased too much and too fast. In 1987, the output of grain-made white liquor was 4.2 million metric tons, almost doubling the 1980 output and reaching the target set by the state for 1990. The 1987 beer production was 5.24 million metric tons, up 650 percent from 1980. China uses 14 million metric tons of grain per year to make alcohol, which is equal to the monthly grain ration for all the country's 1 billion people. China's grain output increased by a total of some 80 million metric tons from 1980 to 1987, an annual average of some 11 million metric tons which is less than the amount of grain consumed in making alcohol. Such a situation will become worse if it is not brought under control. At present, there are a few provinces with nearly 10,000 breweries each, and some counties have over 100 breweries each. China has a large population but limited land, and the average per-capita amount of grain is still very low. Although we are practicing family planning, the population is still growing by a large number each year, requiring us to increase grain supply. We should not and cannot consume more grain in making alcohol. For this reason, it is necessary to use the price lever to reduce grain consumption by breweries and guide consumers into drinking wines with low alcohol content, fruit wines, or other beverages. This will also benefit people's health.

Another important purpose of decontrolling and increasing the prices of some cigarettes and spirits is to withdraw some currency from circulation and increase state

revenues. To readjust the prices of cigarettes and spirits and enlarge the price difference between famous brand goods and other cigarettes and liquor will increase to a varying extent the income of financial departments at all levels and enterprises, and will help improve our financial situation, enhance the vigor of enterprises, steady the economic growth, and support reform.

2. What will be the impact of decontrolled and increased prices of some cigarettes and spirits on the market and consumers? This is a question which people are generally concerned about. Cigarettes and alcohol are not basic necessities of life, and people's demand for them is relatively more flexible. The prices of cigarettes and spirits are to be raised in accordance with a principle of decontrolling the prices of specially high quality goods, increasing a little the prices of next high quality goods, and keeping the prices of average quality goods intact. The price increase in the main will not affect most consumers who smoke B-grade-second-class or lower quality cigarettes. As for the grain-made alcohol, we adhere to a principle of decontrolling the prices of famous brand goods and properly increasing the prices of high quality and average quality goods. The 10-cent or 20-cent increase in the price of a bottle of ordinary white liquor will not be too much a burden on the average consumers. After the price decontrol, users of famous brand cigarettes and spirits will have to pay more. This conforms to the principle of higher price for better quality. We should say that the decontrol and readjustment of cigarette and alcohol prices are beneficial to the society as a whole. This is because: First, it is reasonable for people to pay more for high quality consumption if they can afford it. Second, consumers who cannot afford high quality consumption should overcome the tendency of blindly vying with others for high quality consumption, or buying what they cannot afford. Third, after the price decontrol and increase, it will gradually become easier for consumers to buy famous brand cigarettes and alcohol openly to meet special needs (such as weddings and other joyous occasions), and illegal deals will decrease. Of course, it is still necessary to take positive production and management measures in order to increase the output of good quality cigarettes and spirits and eliminate poor quality ones.

The purpose of economic reform and price reform is to develop production, increase supply, and improve people's livelihood, and they are in the fundamental interests of the broad masses. The reforms will result in a redistribution of earnings among the state, enterprises, and individuals. Decontrolling and increasing the prices of some cigarettes and spirits are in the interests of the whole, though they may affect the interests of some people. For this reason, the whole society should correctly treat and understand these positive and reformative measures. Immediate interests should be subordinate to long-term interests, and partial interests should be subordinate to the interests of the whole. As people are concerned about the impact of the cigarette and alcohol price changes on other commodity prices, I

should explain that cigarettes and alcohol are final products, and their price increases will not cause a direct chain reaction on other commodity prices. The price changes of some cigarettes and alcohol will have some impact on the market, but the impact will be limited.

3. Since the beginning of this year, there have been comparatively more commodity price increases in the market, causing great concern among the people. In order to keep commodity prices under control, the State Council has decided on the following measures:

(1) The State Council will not take any new price readjustment measures in the second half of this year. All provinces, autonomous regions, and municipalities should do the same to keep prices under strict control. In the course of decontrolling and readjusting cigarette and alcohol prices, all localities and departments are prohibited from taking the opportunity to raise prices and fees under their control. It is necessary to resolutely stop unauthorized price hikes and strictly control chain price increases of related commodities. Here, I must explain that because of the sharp increase in paper prices in recent years, the department in charge has approved newspaper price increases effective 1 January 1989. In the fall of this year, newspaper subscription fees will be collected beforehand.

(2) With the exception of some places that are selected to conduct experimental price reform, the prices of rationed grain and edible oil for urban residents will continue to remain unchanged, and the state will continue to subsidize the difference between higher buying price and lower selling price.

(3) It is necessary to make good arrangements for commodity production and supply, particularly the supply of such nonstaple foods as vegetables, pork, poultry, and eggs and daily necessities that have an important bearing on the people's livelihood. The departments concerned and local authorities should ensure the supply of agricultural means of production, such as chemical fertilizer, insecticides, and plastic film and take resolute measures to stop the malpractice of reselling them for high profits.

(4) It is necessary to improve supervision and inspection of commodity prices. In the course of readjusting cigarette and alcohol prices, governments at all levels and their commodity price and industrial and commercial administrative departments must take effective measures in accordance with the "Regulations of the People's Republic of China on Commodity Price Control" to seriously investigate and deal with such law violations as unauthorized increase of prices, collection of unauthorized fees, and price hikes in disguised form. They should encourage voluntary commodity price supervisory organizations, organized by workers and neighborhoods, to participate in price inspection. The broad

masses of cadres and people are welcome to expose those who violate commodity price regulations so that they will be duly dealt with by the commodity price inspection departments.

**RENMIN RIBAO Cited on Consumption Patterns**  
*OW2607020688 Beijing XINHUA in English*  
0105 GMT 26 Jul 88

[Text] Beijing, July 26 (XINHUA)—China may be poor but its people eat and dress well, better in fact than most of the world's developing countries, according to a study of Chinese and foreign consumption levels published in the "PEOPLE'S DAILY."

While China's gross national product was only 277.5 U.S. dollars per capita last year—well below the 1,000 U.S. dollars minimum standard for economically underdeveloped countries as set by the World Bank—Chinese people's consumption level has already exceeded the average level of developing countries, the study found.

Take grain for example. The average annual per capita grain consumption in developing countries was 213 kilograms in 1981. It is expected to rise to 232 kilograms by 1990.

China's per capita grain consumption was 330.5 kilograms in 1980 and 391 kilograms in 1986.

Or take meat. In 1980, the per capita annual consumption of pork, beef, mutton and poultry in developing countries was 12.6 kilograms and was expected to reach 13.9 kilograms by 1990.

China's 1980 figure is only slightly higher—12.8 kilograms. But it had shot up to 17.5 kilograms in 1986.

The daily intake of calories, protein and fat are major indices for measuring nutritional level.

The developing countries figures for 1981 were 2,350 large calories, with 57.5 grams of protein and 40.6 grams of fat.

The Chinese figures for a year later, 1982, were 2,485 large calories, 66.8 grams of protein and 49.3 grams of fat.

The per capita fibre is commonly used to measure clothing consumption level. [sentence as received]

Fibre consumption in developing countries is expected to hit 3.83 kilograms in 1990.

China has long passed that mark. Its fibre consumption in 1986 was 10.58 kilograms.

China has also exceeded other developing countries in per capita housing area, employment rate, education and durable consumer goods.



But, the article says, there is still a need to change people's consumption patterns.

For example, the article suggests that the proportion of food expenditure in the total consumption should be decreased from about 55 percent (in 1986) to below 45 percent by 2000.

The proportion of clothing expenditure, however, should be maintained or a little above the present level with synthetic fibres as the major material for future apparel.

Meanwhile, the ratio of daily goods in total consumption expenditure should be increased, the article says, adding that restriction should be placed on big energy users in consideration of China's present energy shortage.

The article also calls for a more scientific approach to food consumption. It notes that by the turn of the century China's population will be 1.25 billion and its grain output will be about 520 million tons, that is, 416 kilograms for each person.

If scientifically arranged, it says, the amount will be enough to ensure Chinese people a fairly comfortable life.

The ideal food intake designed by Chinese research shows 210 to 230 kilograms of grain, 25 to 30 kilograms of meat, 10 to 12 kilograms of eggs, 15 to 20 kilograms of dairy products, and 10 kilograms of aquatic products, plus fruits and vegetables.

Based on this structure, the average Chinese daily intake would be 2,400 to 2,500 large calories, 75 grams of protein and 59 grams of fat, which are enough to meet the requirements set by Chinese nutritionists, the article says.

**Statistics Show Industrial Growth 'Too Fast'**  
*HK2507135588 Beijing CEI Database in English*  
25 Jul 88

[Text] Beijing (CFI)—The growth of China's industrial production in the first half of this year is a bit too fast, but the main trend is sound, according to a recent government release.

There are several factors behind fast growth of industrial production, said the release issued by the State Statistics Bureau.

It cited the fast growing consumption fund that put pressure on industrial production, saying that the country's purchasing power has kept going up in the recent three years with that in 1987 reaching 427 billion yuan, accounting for 70 percent of the 1987 total volume of retail sales of social commodities.

Investment in fixed assets has been growing by an average annual increase of 50 billion. The figure for 1987 was sizable. During the first half of this year investment for capital construction projects shot up 31.4 percent compared with the same 1987 period.

Agricultural development was slow in the past three years and the central and local governments had to rely on industrial production for financial support in pushing reforms in various fields, the release said.

The main trend of the industrial growth is yet sound, the release said, adding that China's industrial enterprises in the first half of the year have readjusted the composition of product variety in line with market demand, promoted enterprise reform, achieved good results with various contract systems, developed more export commodities and improved economic efficiency.

To ensure a sustained and stable economic development, economic performance rather than speed should be stressed in industry, the release said.

**'Joys, Worries' of Economic Situation**  
*HK2507140888 Beijing JIEFANGJUN BAO*  
in Chinese 19 Jul 88 p 4

[Article by Zhong He (6988 4421): "During the First Half of the Year, the Economic Situation of the Whole Country Was Characterized by a Mixture of Joys and Worries"]

[Text] What was the economic situation during the first half of this year? Was it encouraging or worrying? We can get the answer from the basic economic statistics recently compiled by the State Statistics Bureau.

Since the beginning of the year, due to the fact that various localities conscientiously implemented the guiding principle of "deepening the reform to stabilize the economy" formulated by the central authorities to further expand opening up, a more rapid development for the overall economy was achieved. According to initial statistics, the GNP, calculated on the basis of comparable prices, was 11 percent higher than for the same period last year.

Rapid and stable industrial production was promoted, and the economic results of enterprises were markedly improved. During the first half of the year, the total industrial output value of the whole country was 573.3 billion yuan, an increase of 17.2 percent over the same period last year. This was the second highest rate of growth over the past 10 years. This rapid increase in industrial production was completely different from the "hypergrowth" in 1985, because it resulted from reform and opening up. The reform of operational mechanisms of enterprises further aroused the enthusiasm of workers and staff members of enterprises for production and operation. During the first half of the year, the newly increased production output value of industry under



ownership by the whole people accounted for 50.5 percent of the total newly increased output value of industry as a whole. In 1985, the increase in industrial production output value mainly relied on collective enterprises. The initial implementation of the economic development strategy for the coastal areas accelerated economic development in the coastal areas. Their newly increased production output value accounted for 65.2 percent of the total newly increased production output value of the whole country. Judging from economic results, we know that product quality was steadily enhanced, and that production of marketable products increased by a big margin. The situation of the overstocking of unsalable products was under control. There was a synchronous increase in both profits and tax. Although production went up rapidly, there was no "inflation of investment." In foreign trade, our exports increased by a big margin, and our trade deficit was reduced from last year's \$2 billion to \$1.15 billion. Our country's foreign exchange reserves also increased. The situation was completely different from that in 1985. All this shows that great changes have taken place in the development mechanism of our country's industry, and that production growth has been basically normal.

Due to our success in combating natural disasters, we will wrest a good harvest of summer grain. Although severe drought and cold spells occurred in some areas during the spring, which affected the sowing and growth of summer grain, we will still get a better harvest of summer grain because various localities have paid close attention to the situation, taking various measures to increase production, in addition to an improvement in the weather during the later period. According to initial forecasts, production output of summer grain will be the same, or slightly higher, than last year. The situation in the production of nonstaple food is also getting better and better. The number of live pigs has risen again. The strain on market supply has been eased to a certain extent.

With the more rapid increase in production and the enhancement of the purchasing power of residents, the commodity market is brisk. Our domestic market is active, and commodity supply has been increasing steadily. Commodity flow has also been expanded. During the first half of the year, domestic net purchase of commodities was 22.4 percent higher than in the same period last year. The total retail sales volume of social commodities was 344.5 billion yuan, an increase of about 24.6 percent. The retail sales volume of the main commodities increased by varying degrees.

Due to the fact that sustained development has been maintained in the fields of production, construction, and circulation, the situation of a fall in the financial income of the state, which occurred last year, has been curbed since the beginning of this year. Our financial income has continued to rise. During the first 5 months of this year, our financial income was 11.6 percent higher than in the same period last year. The profits retained by

enterprises have been expanded by about 20 percent. Incomes have continued to increase. The wages and other incomes paid by banks to workers and staff members in towns and cities increased by 21.8 percent. The per capita cash income of peasants increased by more than 20 percent. At the end of May, the savings of residents of towns and cities were 34.6 billion yuan higher than early this year.

As mentioned above, the situation in the development of the national economy during the first half of this year was better. Half our task was fulfilled during half of the year. However, joys were mingled with worries. There were some worrying and unstable factors occurring on our path of advance. This was prominently reflected in the high increase in commodity prices, which involved many aspects. There were abnormal fluctuations on the market. Panic purchasing occurred time and again. During the first half of the year, the total retail price index for the whole country was more than 10 percent higher than last year. Apart from food, the prices of consumer goods such as clothing, other goods for daily use, and so on also soared. This was another factor pushing upward the overall level of commodity prices. There were also arbitrary increases in various service charges. Price hikes affected the improvement of the livelihood of some retired workers and staff members, office cadres, and other residents whose level of income is comparatively low. They also aggravated psychological tension among consumers. In the meantime, the problem of the strain on raw and processed materials, communications, and energy in economic life was more prominent. Economic results of enterprises were not satisfactory. Many people in economic circles reminded us to guard against excessive economic growth. To truly solve the existing problems, efforts must be made to further do well in promoting systematic reform in wages, commodity prices, and enterprises.

#### **Construction in Coastal Areas Readjusted**

HK2607010988 Beijing CHINA DAILY  
in English 26 Jul 88 p 3

[By staff reporter Wen Jia]

[Text] China is readjusting its building programmes in coastal area townships to solve such problems as scattered and duplicated construction.

In about 10,000 townships, the focus will be on faster development of the public infrastructure, which is mainly electricity, water, traffic and telecommunications, said a senior official from the Ministry of Construction.

Zheng Kunsheng, director of the Department of Rural Township Development under the ministry, said that the new move is aimed to better the local environment in order to attract overseas investors.

Overall development designs of these areas will be drafted and perfected on the basis of preliminary designs finished years ago.

The new steps were initiated after the party's Central Committee adopted the strategy of developing an export-oriented economy in coastal areas.

The ministry had done general designs for overall township development in the coastal areas years ago, but these were mainly intended to curb the trend toward occupation of cultivated land.

"We must make improvements and perfect the original plans to meet the fast development of a commodity and export-oriented economy in these areas," said Zheng.

Township enterprises in the country have seen an annual increase in output value of more than 20 percent over the past few years. Last year for the first time in New China's history, their total output value surpassed that of agriculture.

Moreover, many township enterprises earn a significant amount of foreign currency for the country with both traditional art products and advanced industrial products.

However, poor facilities in such areas as water, electricity, sales, technology and information services in many of these townships have greatly hindered their further development.

They also block overseas investment, which is needed in many businesses, Zheng said.

Information from the ministry shows that less than 4 percent of the total investment in rural construction was used on infrastructure.

Five years ago, some Japanese businessmen wanted to invest in a township enterprise in Linyi Prefecture of Shandong Province due to its advantages in personnel, equipment and management.

But when they saw the poor infrastructure in the township, they withdrew.

Startled, the town's government spent a lot of money to improve highways, electricity, telephones and water projects. Now 14 enterprises have joined hands with overseas businessmen, Zheng said.

Some rural areas in Guangdong Province, such as Panyu County, have had similar experiences, he said.

However, the State will make virtually no investment in the infrastructure construction in these townships, according to the director. "Local governments will have to rely on themselves," Zheng said.

However, the State will adopt more favorable policies for the townships, he said. They are also encouraged to follow the law of value in infrastructure construction.

**Bank Depositors Shifting Funds to Rural Areas**  
*HK2507051088 Beijing CHINA DAILY*  
*(BUSINESS WEEKLY) in English 25 Jul 88 p 1*

[By staff reporter He Qingquan]

[Text] Private bank depositors in Shanghai, China's biggest industrial centre, are switching their money to rural credit co-operatives in Wenzhou, a relatively developed coastal area of Southeast China's Zhejiang Province.

The interest rates offered by the collectively-run credit co-operatives in rural Wenzhou are higher—sometimes twice as high—as those offered by the banks, according to Wang Liqing, an official of the People's Bank of China, the country's central bank.

The co-operatives can afford to pay high interest on deposits because the recipients of their loans—usually individual entrepreneurs and township enterprises—are able to pay much higher interest for their loans.

While helping speed up the improvement of rural industry in Wenzhou, the shift of deposits has caused problems to both urban industries and State-run banks, Wang said.

The banks are finding themselves drained of already scarce money. They are in a harder-than-ever position to do their job of providing loans to urban industrial enterprises, which still form the cornerstone of China's economy in spite of the prosperity of rural small businesses.

A record low increase in the amount of bank deposits has occurred in the first half of this year, owing to double-digit inflation.

Bank deposits increased by 34.92 billion yuan in the first five months of this year—2.6 billion yuan less than during the same period of last year.

Currently, most bank deposits carry an annual interest rate of around 7.2 percent—far less than the increase in prices, which went up 11 percent last year by official statistics.

Bank customers are taking their money out of the banks because they find it is being devalued there.

Instead they are rushing to buy luxurious commodities such as colour TV sets and refrigerators, placing great pressure on the supply-short markets.

To solve the problem, bank officials and financial experts are now busy deliberating on how to adjust interest rates on both deposits and loans to help balance the financial situation.

This is not easy, because any increase in interest on loans is bound to arouse protest from producers, who are already feeling heavily burdened by the rising prices of production materials such as steel, wood and chemicals.

The bankers hope that interest rates eventually can correspond to price indexes. But they are now forced to bide their time in effecting any concrete measures.

Informed sources say the banks probably will raise both deposit and loan interest rates.

A proposal to this effect by the People's Bank of China is now under intense study by the State Council, the country's highest governing body.

**Chemical Industry Needs Foreign Investment**  
*HK2507120588 Beijing CEI Database in English*  
25 Jul 88

[Text] Hong Kong (CEI)—China needs more foreign investment and advanced technology to upgrade its chemical industry, Lin Yicai, vice minister of chemical industry said at the opening ceremony of a chemical fair on July 22.

The fair was organized by the China National Chemical Construction Corporation (CNCCC) which wishes to expand cooperation with overseas firms. The current fair offers various new chemical and rubber products and projects for cooperation.

Despite the fast growth of chemical industry, China still needs to import large quantities of raw materials, chemical fertilizers and refined products such as polythene and urea.

Over the past three years, Lin said, 163 foreign funded enterprises have been established in China, involving a total overseas investment of 450 million U.S. dollars.

China now wants to upgrade the country's chemical industry by attracting overseas investments or importing advanced technology and equipment, the official said.

Compensation trade and processing supplied raw materials are also ideal forms of cooperation, according to officials from the CNCCC.

**Anshan Raises Funds From Private Sources**  
*OW2507071188 Beijing XINHUA in English*  
0536 GMT 25 Jul 88

[Text] Beijing, July 25 (XINHUA)—The Anshan Iron and Steel Company, the nation's biggest of its kind, has collected funds from its employees to carry out technical upgrading.

Today's "ECONOMIC DAILY" reported that the company had found its equipment and technology badly in need of renovation, but had a serious shortage of funds.

However, its 220,000 employees had a large amount of spare cash thanks to wage raises over the past four years. The management hit on the idea of raising the needed cash from them, and has issued a total of 980,000 shares worth 49 million yuan and 300 million yuan-worth of bonds since late last year.

This has given other enterprises a model for channelling money which would otherwise be used for consumption purposes to productive use, said an editorial note accompanying the report.

The nation's total savings deposits of rural and urban residents amount to 300 billion yuan and there is, besides, spare cash amounting to 120 billion yuan in their pockets.

"It would bring great pressure on domestic markets if all that money were to be used for consumption purposes," said the note. "But it could bring about significant economic and social improvement if it were invested in production."

**NONGMIN RIBAO Praises Labor Exports**  
*HK2507135188 Beijing NONGMIN RIBAO*  
in Chinese 19 Jul 88 p 1

[Article by Liang Zhenming (2733 2182 2494): "How To View This 'Record Level'—Commenting on China's Labor Exports"]

[Text] Today when a great surplus of rural labor in our country is trying to enter the world market through product exports, we are paying greater attention to another more direct form—labor exports.

At present, more than 60,000 laborers have been exported, which is a record level in our country," the department in charge of labor exports reported recently.

But what is this "record level"?

—Since 1970, the world labor trade has increased 1,000 percent. At present, there are tens of millions of people working in the international labor market. The laborers exported by our country are still less than 1 percent of the world's total, or even less than 7 percent of those exported by Pakistan.

—In the total volume of world trade, the current ratio between commodity trade and labor trade is about 3:1, but that of our country is 40:1.

—At present, labor prices have dropped in the international market. In many countries, the average monthly income of laborers has dropped from \$500 to about \$300. But in our country, the per unit labor cost has risen from more than \$100 to more than \$300. Moreover, since most of the equipment and materials needed by Chinese labor companies for contracting foreign projects are purchased on the international market (which can



originally be bought from our domestic market) and the daily necessities of the Chinese personnel going abroad are also purchased from the international market due to the impediment in our domestic supply. China can only obtain very limited foreign exchange through labor exports.

—Competition within our country makes some labor companies suffer losses rather than earn profits. It has been reported that in a tender for labor exports, despite the low bid made by China International Water and Electric Corporation, the bid made by another company was still 30 percent lower. As a result, the company suffered a heavy loss in building that project.

Over the past several decades, the labor trade has become a new content of international trade and has been developing at an extraordinarily high speed. Data show that the volume of the world labor trade was \$100 billion in 1970, and it reached more than \$1 trillion last year. The growth rate of the labor trade is much higher than that of the commodity trade. At present, it is quite common that Japanese go to work in France or the United States, while Americans go to work in Japan and Italy. This kind of transnational flow of the labor force is called labor export, or labor trade. Some 30 percent of laborers in Switzerland, 10 percent of laborers in Belgium, and 9 percent of laborers in France are foreign nationals. On the other hand, more than 3 million [as published] Pakistanis, more than 1.2 million Indians, and more than 2.5 million Turks are working abroad.

At the same time, the fields for the labor trade, which is being upgraded, are also expanding daily. At present, in the contingent of the labor force participating in the transnational flow, there are not only peasants, workers, teachers, and technicians but also housekeepers, seamen, drivers, cooks, gardeners, doctors, nurses, and scientists, spanning a vast number of trades and professions, such as textile, metallurgy, electric power, machinery, chemical industry, building industry, transport, public health, foodstuffs, finance, insurance, real estate, and tourism. Some of these laborers are engaging in temporary jobs, while others are engaging in long-term contract work. Some of them are going from place to place doing odd jobs, and some of them are going abroad in groups. There are also large projects contracted by hundreds or thousands of laborers.

The reason the labor trade has become popular in many countries is that those who go abroad may find better employment opportunities and relatively satisfactory jobs there, and their pay may also be considerably higher. This is good for both the exporting and the importing country. Some countries have land, factories, funds, and technology but a shortage of labor; while other countries have surplus labor but lack land resources and funds. Thus, both sides may benefit from the export and import of labor. It is really a good practice for them to make up each other's deficiencies.

Furthermore, labor exports do not only bring a considerably large amount of foreign exchange to exporting countries but can also promote the export of many commodities needed by the contracted projects, such as machinery and construction materials. Through labor exports, more employment opportunities will be provided. It is also conducive to improving the quality of the laborers and learning other countries' advanced technologies and management experiences. In the 1980's, the United States earned about \$100 billion from labor exports. According to a calculation by the comrades of the China National Machinery External Cooperation Corporation, each Chinese laborer sent by our machinery industrial departments to the developed countries can earn \$500 to \$600 a month for our country, or \$6,000 to \$7,000 a year. Thus, if 1,000 laborers are sent abroad, the state will be able to earn some \$6 to \$7 million a year, equal to the total foreign exchange earned by the machinery and equipment export companies of Hebei and Shaanxi Provinces.

Apart from this, people can also get rich through labor exports. In Enping County, Guangdong Province, 60 percent of the households have sent laborers to work abroad or in Hong Kong and Macao. Local people there have described the export of labor as a "golden path." With the export of every laborer, a 10,000-yuan household can almost be created. This count even stipulates that those households which still have no laborers working outside will enjoy priority in labor export.

Obviously, there are bright prospects for labor exports by our country, especially by our rural areas, where there is a great surplus of labor and where the broad masses of peasants are expecting to get rich as soon as possible. This work has thus become more important and urgent in rural areas.

However, what is the reason that a large country with a population of 1 billion has only exported several tens of thousands of laborers in the past 10 years? Especially, why is the number of the laborers it has exported at present still less than a tenth of those exported by Pakistan? Undoubtedly, we have made certain headway in labor exports in recent years, and the departments in charge have also done a great deal of work in this respect. We can praise them for what they have done, but there is no reason for us to be satisfied with the "record level." What we should do is to make a self-examination.

**Rural Workers Urged To Migrate to New Areas**  
OW2307120188 Beijing XINHUA in English  
0709 GMT 23 Jul 88

[Text] Beijing, July 23 (XINHUA)—The central and local governments have worked out new regulations to encourage rural laborers in the arid parts of the loess plateau to move to new areas.

The new areas are the Hexi Corridor of Gansu Province, the Great Bend of the Yellow River of the Ningxia Hui Autonomous Region and the Qaidam Basin of the Xinjiang Uygur Autonomous Region. There millions upon millions of hectares of wasteland can be opened up, said today's "CHINA DAILY".

To encourage migration to these areas the state will exempt migrants from taxation and extend funds and loans.

In addition, local governments have initiated an incentive policy to protect the interests of migrants.

Rural laborers are allowed to farm in both the new areas and their hometowns. Three years later they can settle on the new land, but must return their cultivated land in their hometown to the local governments.

Those who open up the virgin soil in the areas have the right to own the land and their children can inherit it, the paper said.

Migrants also get assistance from the World Food Program under the United Nations. The program has provided migrants with a total of 450,000 tons of wheat and more than 7,500 tons of edible oil in the past five years.

After three years of hard work, many of those who migrated to the new areas have become well-off.

Han Jingxiao, who came to the Qaidam Basin from east Qinhai Province, has sold 15,000 kilograms of grain annually to the state since 1983 and made profits of more than 10,000 yuan a year.

In 1987, 485 rural families who moved to Jingtai County, Hexi Corridor, in 1986 from Longdong, Gansu Province, harvested 1.58 million kilograms of grain, 4,320 kilograms of edible oil and 115,000 kilograms of ginned cotton. Per capita income reached nearly 500 yuan, said the paper.

**Amount of Cotton Purchased Up From Last Year**  
OW2407151188 Beijing XINHUA in English  
1403 GMT 24 Jul 88

[Text] Beijing, July 24 (XINHUA)—More than 3.8 million tons of ginned cotton have been purchased by the end of June this year, 700,000 tons or one quarter more than last year's figure for the same period.

So far, 88 percent of the annual cotton purchasing quota have been fulfilled, said a government official at a national conference on cotton purchase which opened here today.

Apart from northeast China's Liaoning Province, the amount of cotton purchased from major cotton producers in northern China showed increases. Over 80 percent

of the increase came from the provinces of Hebei, Shandong, and Henan and the Xinjiang Uygur Autonomous Region, the official said.

This is the third consecutive year that China has had a good cotton harvest.

The official attributed the increase of cotton output to adequate sunshine in the past two months, state subsidy on cotton production and other preferences extended to cotton growers.

**Textile Minister Wu on Industry's Objectives**  
HK2407071088 Hong Kong LIAOWANG OVERSEAS  
EDITION in Chinese No 29, 18 Jul 88 pp 9-10

[Article by Yang Chaoling (2799 2600 1545) and Zhou Yonggang (0719 0516 0474): "Strategic Objectives of China's Garment Industry—An Interview With Textile Industry Minister Wu Wenying"]

[Text] "To constantly meet the people's growing daily needs and to suit the development of the national economy, China's garment industry will make a strategic shift and usher in its golden age," said Wu Wenying, minister of textile industry in charge of the textile and garment industries, in an interview with reporters the other day.

**Two Strategic Objectives [subhead]**

Wu Wenying said: To China, which has a population of over 1 billion people, the question of clothing is a major issue vital to the national economy and the people's livelihood. To a certain extent it reflects the political, economic, and cultural conditions of a society and the material and spiritual civilization of a country.

China is a civilized country with a long history. Over the past several thousand years it has developed a unique culture of dress and personal adornment. In the world's history of garments, it has enjoyed the reputation of being the "Land of Hats and Clothes." In the past 100 years or so, due to imperialist aggression and the decadence of the feudal dynasty, China's garment industry has lost its splendor in the world arena. Since the founding of New China, the garment industry has developed considerably, but it is still unable to keep abreast of the changing times.

Since the 1980's, the Chinese policy of reform and opening up to the outside world has enabled the Chinese people to make a transition from having adequate food and clothing to being fairly well-off. In the past there was a Chinese saying: A piece of clothing is new in the first 3 years, old the next 3 years, and it soldiers on for 3 more years through layers of patchwork. It was all right so long as there were clothes to wear. Now people want to wear better clothes. Not only do they want "different clothes for different seasons" but they "wear different clothes during the day," such as morning or sports suits in the



morning, routine or work clothes in the day time, and casual dress or pajamas in the evening. On festivals or happy occasions, people want to wear formal attire. They have also set higher demands on designs, varieties, and styles.

Minister Wu said: To suit this change, the strategic objective of China's garment industry is to develop toward ready-made clothes, fashionable dress, and high quality and to substitute the mode of small handicraft production with that of socialized mass production. Moreover, it is also necessary to make a success of custom-made clothes to meet the needs of different consumers. We plan to increase the rate of ready-made clothes from 31 percent today to about 40 percent in 1990 and to 60-70 percent by the end of this century.

On the question of exporting Chinese garments, Minister Wu Wenying said: Together with the relevant departments, we shall work hard to change the present conditions in the foreign trade structure characterized by dislocation between production and sales and unnecessary and overelaborate formalities. In exporting garments, China will gradually shift from the export of mainly medium- and low-grade products of average quality to the export of mainly medium- and high-grade products and fashionable dress, create its own brand-name garments, and strive to open up new international markets. To achieve this objective, it is necessary to make a success of reform and the tapping of potentials and to bring into full play the role of the existing technology and equipment. Moreover, it is also necessary to import new technology, equipment, competent people, and managerial methods; to set up enterprise groups; and to encourage the setting up of joint ventures in the country or the setting up of Sino-foreign transnational factories abroad.

#### The Present Conditions of the "Major Textile Industry" [subhead]

China's Ministry of Textile Industry is responsible for the following trades and professions: cotton spinning and weaving, wool spinning and weaving, hemp spinning and weaving, silk, knitting, dyeing, garments, textile machinery and apparatus, and chemical fibers. When talking about the development the textile industry as a whole, Minister Wu said: After 30-odd years of construction, great achievements have been made in the Chinese textile industry, including the garment industry. [paragraph continues]

By the end of 1987, China had 26 million cotton spindles (not including 220,000 open-end spindles), ranking first in the world; and 1.99 million wool spindles, ranking third in the world. Its chemical fiber production capacity had reached 1.52 million tons, ranking fourth in the world. In textile products, the output of cotton yarn, cotton cloth, mulberry silk, genuine silk, and ramie cloth ranks first in the world. However, with its rate of ready-made clothes standing at only 30 percent, China's

garment industry still lags far behind developed countries, whose rates of ready-made clothes stand at over 80 percent. At present, the nation has 7,800 garment enterprises at and above the county level, producing only 1.3 billion pieces of clothing (of which 409 million pieces are for export). With the 20,000-odd township and town enterprises producing over 1 billion pieces of clothing, the whole country can only produce some 2.3 billion pieces, an average of only 2 pieces for each person. Most people still have difficulties in purchasing and making garments.

While pointing out the problems, Minister Wu also talked with pleasure about the achievements on the textile front in recent years. In terms of fabric, more than 10,000 new products are created or designed each year. In terms of materials, the previous situation characterized by exclusively pure cotton products has changed. More materials have been used and new types of chemical fiber products have been developed, such as imitation wool, imitation silk, imitation fur, and various kinds of coating and elastic fabrics. They have been well received by consumers. The garments are also increasingly diversified. It is estimated that over 80,000 kinds of garments were put onto the market last year. Many foreign friends who have come to China many times in the past said: In the past few years, the deepest impression China has given me is that the dress of the Chinese people has become increasingly beautiful. But Minister Wu said that we are still unable to meet the needs of the consumers in fabric designs and variety and in garment styles, and that we should make still greater efforts to develop them.

#### The Status and Role of the Garment Industry in the "Major Textile Industry" [subhead]

"To change the present irrational industrial pattern so as to rapidly develop the garment industry, some problems should be solved first," Minister Wu added: "First, in both our understanding and concept, we should gain a full understanding of the status and role of the garment industry in the 'major textile industry' and in the national economy as a whole. Viewed from the three major fields (garments, ornaments, and industrial cloth) of China's textile consumption, garment fabric accounts for 70-80 percent. We can thus see that it will not do for people who engage in the textile trade not to attach importance to the garment industry. Generally speaking, the rate of ready-made clothes and the level of the garment industry reflect the development level of the textile industry. The textile industry and the garment industry condition and complement each other. For this reason, the Seventh 5-Year Plan (1986-1990) stipulated that during the Seventh 5-Year Plan, it is necessary to focus on the food industry, garment industry, and durable consumer goods industry to boost the development of the consumer industry.

"Second, although we are developing our garments toward diversification, fashionable dress, and high quality, we are not seeking high consumption. China is a



socialist country. The fundamental aim of socialist production is to meet the people's growing needs in material and cultural life. We should not exceed the present material conditions to go in for high consumption. However, it is the duty of textile workers to give full play to their subjective initiative under the existing conditions and to try to make the people wear better clothes. This is quite different from high consumption. We maintain that Chinese garments should have a sense of the times and a sense of the nation, and that in both designs and production the general character of the sense of the times should be included in the individual character of the sense of the nation. We should strive for originality in simplicity and for practicality in the serialization of products. In recent years, by bringing into full play their ability and wisdom, carrying forward the fine tradition of China's clothes culture, and boldly learning from and drawing on the strong points of foreign countries, our garment workers have succeeded in designing and producing garments that are convenient and comfortable to wear, novel in style, and diversified in variety for people at different levels, of different nationalities, and of different professions. They have also guided the consumers in seeking civilized, healthy, and scientific life styles and interests from the existing material conditions. These garments have displayed our country's material and spiritual civilizations."

**Usher in the Golden Age of China's Garment Industry**  
[subhead]

Minister Wu also predicted that China's garment industry will develop enormously from now to the end of the century. In this period, China will take advantage of the major readjustments in the global production structure to bring into full play China's advantages in labor resources, to develop its garment industry, and to gradually turn the production and consumption pattern characterized by "the sale of cloth which is to be made into clothes by the masses themselves" into one of "relying mainly on the sale of ready-made clothes supplemented by the purchase of cloth to be made into clothes by the masses." Minister Wu said: In our work we should step up market investigation and forecasts and, in accordance with changes in consumption demands, readily adjust the production structure and the product mix, intensify the studies of the science of garments, and step up innovations in designing. We should strive to increase variety, produce garments in small batches, shorten the cycle, sell them quickly on the market, strengthen our capability to deal with emergencies, and meet the demands of the market.

Minister Wu said: "In the future the textile department as a whole will concentrate on the export of intensively processed and finished products and strive to improve export returns. Moreover, we shall also make further efforts to strengthen scientific management; introduce science, technology, and equipment; and constantly improve the management structure. I am sure that, so

long as all personnel in the textile industry work cautiously and conscientiously, are good at learning, and deepen the reform, the golden age of China's garment industry will surely come."

**Reasons for Rubber Production Stagnation Given**  
*HK2207135488 Beijing RENMIN RIBAO*  
*in Chinese 19 Jul 88 p 2*

[Letter from Feng Heping (7458 0735 1627): "Rubber Production Has Come to a Standstill, Prompt Measures Are Needed"]

[Text] The production of natural rubber, one of the four major industrial raw materials in our country, has stagnated.

—The output growth rate of the rubber plantations which have been producing rubber declined by some 20 percent as compared with the normal condition, and this means the output of raw rubber decreased by 50,000 tons every year.

—Young rubber trees and saplings are managed poorly, and they were growing too slowly. The growth period before they can be tapped extended from 6-8 years to 10-12 years.

—Old rubber plantations were renewed at a slower speed. It was originally planned to renew 200,000 mu each year, but in the 2 years of 1986-1987, only 80,000 mu of old plantations were renewed.

—A large number of rubber plantation workers quit their original jobs and sought other jobs. Young workers were not willing to undertake the contracts for managing the plantations. As a result, large areas of rubber plantations went out of cultivation.

As a sharp contrast, last year, the prices of raw rubber and condensed rubber sap rose rapidly. The price of raw rubber rose from \$800 to \$1,400 per ton; and the price of condensed rubber sap rose from \$600 to \$1,900 per ton. These price changes reflected the contradiction between supply and demand, and this contradiction became even more prominent on domestic markets.

In recent years, the enthusiasm of the rubber production enterprises and individual peasants for producing rubber was declining, and the labor productivity also fell markedly. This was attributed to many factors.

First, in 1984, the state changed the method of appropriating funds to rubber producers into a new method of making loans to them. The rubber production enterprises and peasants found that investment in running rubber plantations could only yield very slow returns, but must run great risks, because rubber plantations are vulnerable to typhoons and cold waves. So they preferred producing other things.

Second, the supply of fertilizer decreased in recent years, and was not guaranteed. The state only supplied 0.2 kilograms of fertilizer for each rubber tree, but a tree actually needs 2 to 2.5 kilograms, or 10 times as much as the guaranteed supply quantity. The enterprises and peasants would rather use the limited fertilizer to plant other crops which yield quicker returns.

Third, most importantly, the price of natural rubber is always strictly controlled by the state, and the price adjustment is very limited. Now, the prices of production materials are rising generally, and the costs of rubber cultivation have increased from 600 yuan to 1,200-1,700 yuan per mu. In addition, the rubber plantations were depreciated at a very slow speed (it takes about 40 years). The old trees yield very low returns, and the output value cannot cover the management costs.

In view of the above problems, it is proposed that the authorities concerned raise the rubber purchase price, use the economic levers to encourage the enterprises and peasants to increase rubber production, reduce or exempt taxes on rubber producers, give appropriate subsidies to rubber producers if they sell the products to the state, establish some risk funds and development funds, link the sale of products with the supply of production materials, such as fertilizer, steel products, and fuel, and conduct integrated management over production and marketing so as to arouse the producers' enthusiasm and initiative and to ensure the quality of raw rubber and the state's overall control over the natural rubber market.

**Commentator Discusses Agricultural Development**  
*HK2507094188 Beijing RENMIN RIBAO*  
*in Chinese 18 Jul 88 p 1*

[Commentator's article: "Put Agricultural Development in an Important Position"]

[Text] Since signing an agreement with Heilongjiang Province on the development of the Sanjiang Plain and an agreement with Xinjiang Region on the development of a cotton and sugar production base, the state has also signed contracts with Hebei Province, Shandong Province, Henan Province, Jiangsu Province, and Anhui Province on the comprehensive agricultural development on the Huanghe-Huaihe-Haihe Plain. The implementation of these major development plans symbolizes a new stage in our country's regional agricultural development.

Agriculture is the basis of our national economy. This is the basic guiding ideology which has long been adhered to by our country in its economic construction. Practice has fully proved that in a developing country like ours, agriculture will continue to occupy a special position for a long time to come. Further agricultural development will play an important role in guaranteeing the improvement of the people's life, the smooth progress of the reform, and the coordinated and steady development of our national economy. For many years, especially since

the 3d Plenary Session of the 11th CPC Central Committee, we have made strenuous efforts to develop our country's agricultural production and have achieved universally recognized successes in this respect. However, we should clearly understand that up to now, agriculture still remains a restrictive factor to the development of our country's national economy. In order to develop our country's agricultural production to a new and higher standard and enable our people to become "comparatively well-off" by the year 2,000, we must make redoubled efforts to push forward our country's agricultural production, especially our country's grain production.

In order to accelerate our country's agricultural development, we must adopt various measures, such as deepening the agricultural reform, perfecting the relevant policies, smoothing out the relationship between agriculture and other trades and professions and the relations with agriculture itself, increasing investment in agricultural production, developing industries which support agricultural development, paying attention to the use of organic fertilizer, and so on. Moreover, we should also strengthen the development and utilization of agricultural resources. Our country is a big country and is rich in natural resources. At present, our country is still in the developing stage. Therefore, our country's agricultural development has great potential. We need to develop a large number of barren hills, barren slopes, barren beaches, rivers, and lakes and make full use of our country's several billion mu of arable land. On the Huanghe-Huaihe-Haihe Plain, there are over 200 million mu of middle-yield and low-yield arable land. Earlier development carried out in selected spots on the Huanghe-Huaihe-Haihe Plain shows that using scientific methods to carry out comprehensive development of the Huanghe-Huaihe-Haihe Plain will greatly increase and even double the agricultural production output of the region. This is a very important measure promoting the agricultural development and indeed a measure of great significance. This measure is of great importance to the realization of the target set for agricultural production in the Seventh 5-Year Plan and the goal set to be fulfilled by the end of this century, the implementation of the economic development strategy formulated by the central authorities for the coastal areas, the earning of more foreign exchange, and the development of our country's export-oriented economy. Moreover, the implementation of this measure will be conducive to the further readjustment of the internal structure of our country's agriculture, the rational utilization of our country's agricultural resources, and the creation of more jobs for the surplus labor in our country's rural areas. Therefore, from now on, we should regard the development of our country's agricultural resources as part of our country's agricultural development strategy. We should practically carry out the development of our country's agricultural resources in a down-to-earth manner.

The purpose of reforming our country's economic structure is to develop the planned commodity economy. So our agricultural development should conform with the



development of the planned commodity economy. And we should adopt new measures in developing agriculture. What is more important is that we must guide and push forward our country's agricultural development, the policies of reform, opening up to the outside world, and invigorating the domestic economy. We should discard our old development method of "the state providing funds, the peasants farming the land," which was used during the period of the product economy. Instead, we should regard agricultural development as an economic undertaking and carry out agricultural development in accordance with the law of the commodity economy. The method of having the state sign contracts with the localities on agricultural development itself is a major reform of the agricultural development method and the agricultural investment method. According to the spirit of such reform, the various localities and departments should introduce the competition mechanism into their agricultural development, implement the public bidding system in carrying out the building of the development projects, and implement the method of using development funds with compensation, the method of recovering the development funds at fixed intervals, and the method of gradually increasing the investment in agricultural development. In carrying out agricultural development under the new circumstances, we should attach great importance to the development of an appropriate big-scale agricultural operation and try to achieve the best economic results, social benefits, and ecological results.

The experiences we have gained from our experiments in selected spots show that the increase in the investment in our country's scientific and technological development is an important link in accelerating our country's agricultural development. Once we have had correct policies, our agricultural development will mainly rely on scientific and technological progress. In order to accelerate agricultural development, we should establish a new mechanism which can help to increase investment in scientific and technological development and formulate correct policies to attract the scientific and technological research units and personnel to go to the front of production to contract projects. The various localities should do their best to create a good environment for the agricultural, scientific, and technological personnel to demonstrate and develop their skills and talents. We should reward the scientific and technological personnel who have for a long time devoted themselves to our country's agricultural development and have made important contributions to our country's agricultural development.

Agricultural development has an important bearing on our country's overall economic development. Therefore, both the central authorities and the local authorities should attach great importance to agricultural development and should practically carry out agricultural development. In carrying out agricultural development, we should not only rely on the state, but also try to arouse the enthusiasm of the various local governments at

various levels and the enthusiasm of the broad masses of the peasants in carrying out agricultural development. Since our country's financial strength is limited, we should try our best to provide enough funds to build the major development projects first. The various localities should also carry out the building of some selected development projects in the light of their actual conditions so as to promote our country's agricultural development and strengthen its reserve strength.

We should learn a lesson from our past practice and re-emphasize the importance of strengthening leadership over agricultural development under the new circumstances characterized by large scale and rapid agricultural development across the country. Agricultural development work is strongly scientific in nature. Therefore, our leaders at various levels should adopt a strict and scientific attitude toward agricultural development. We should carry out agricultural development in a guided and planned way and step by step. Under no circumstances should we blindly carry out the building of a large number of development projects regardless of the actual conditions of our country. In carrying out agricultural development, we should carry out the building of the development projects according to the unified plan and in a down-to-earth manner, stress the actual results, and ensure that each project will be well built and will yield good economic results.

**More Individual Investment in Agriculture**  
*OW2307131488 Beijing XINHUA in English*  
0725 GMT 23 Jul 88

[Text] Beijing, July 23 (XINHUA)—China's farmers are now investing more in agricultural production than the country's collectives, today's "ECONOMIC DAILY" reported.

The proportion of investment put into production by individuals in the overall rural production investment figure rose from nine percent in 1980 to last year's 54.2 percent.

According to a recent survey of 846 counties in 29 provinces, autonomous regions and municipalities, China's rural families mainly rely on their own funds to develop production while collectives still depend on loans.

Overall, the survey showed, more agricultural investment is coming from individuals, and of the funds used to expand production, loans from banks and credit cooperatives accounted for only 17.6 percent, locally-raised money for 2.6 percent, state subsidies to agriculture for one percent, and non-local investment for 3.1 percent.

In the wake of the contract responsibility system, farmers are investing more in production and the speed of investment in production-related fixed assets is faster than that made in non-production related fixed assets.



Last year saw the investment volume in fixed assets by collectives and individuals up 23.5 percent over the previous year, and of this investment volume, production-related investment jumped 33.8 percent and that in non-production related projects increased 16.3 percent.

According to the report, "This trend is a good thing because it indicates farmers are investing less in housing construction in recent years."

The report also said, the proportion of investment in fixed assets in agriculture, industry and the service trade last year was 30.6, 47.1 And 22.3 Percent respectively, which shows farmers are showing less interest in agricultural production.

Looking at the country's eastern, central and western economic belts, the report said, eastern areas are investing more in technology, qualified personnel and transportation facilities than the other areas, and are also focusing more on industry. The other two belts are spending more on agriculture and the service trade.

The survey also indicated the proportion of investment funds coming from rural collectives with unified management is still low.

**Grain Supply 'Faces Serious Situation'**  
*HK2507141588 Beijing CEI Database in English*  
25 Jul 88

[Text] Beijing (CEI)—China faces a serious situation in grain production this year, predicted an authoritative source.

Forecast was made according to following factors:

Output of summer grain will undoubtedly drop this year. The sowing of early rice was delayed and the acreage reduced by over 66,600 hectares. More than 2.33 million hectares of land has been plagued by plant hoppers in Hunan, Jiangxi, Guangdong and Fujian Provinces, according to the latest report.

Autumn grain harvest will not fare well. The acreage sown to autumn grain was reduced by 666,666 hectares. The delayed sowing of early rice has affected late rice. Due to the price hike of means of production, investment in grain production has dwindled.

All these show that the grain supply and marketing in China this year will be tight. At the same time, due to natural disaster, grain output in the United States and Canada has decreased drastically which will affect the world market.

**State Council Regulation Protects Female Workers**  
*OW2507114588 Beijing XINHUA in English*  
1126 GMT 25 Jul 88

[Text] Beijing, July 25 (XINHUA)—The State Council, China's highest governing body, issued a regulation today to safeguard female employees' legal rights.

The 19-article regulation, to be put into effect on September 1, makes plain that work units are not allowed to discriminate against female employees.

It states that female employees' basic wages can not be reduced and that work contracts can not be annulled during periods of pregnancy, maternity leave or nursing.

It also spells out that the period of maternity leave extends from 56 days to 90 days and women who experience difficulties in childbearing will have the option of an additional 15-day leave period.

No female employee, it further stipulates, is allowed to engage in underground mining work or heavy labor that is unsuited to the individual's health condition.

The regulation urges work units with a large number of female employees to provide appropriate sanitary equipment specially for women, rooms for pregnant women to rest and mothers to feed their children as well as nurseries and kindergartens.

Anyone violating its tenets or infringing on the rights of female workers will receive administrative punishment according to the seriousness of his (or her) case.

**Rui Xingwen Discusses Literature, Art**  
*OW2407140288 Beijing XINHUA Domestic*  
*Service in Chinese 0722 GMT 20 July 38*

[Text] Beijing, 20 Jul (XINHUA)—With the approval of the CPC Central Committee, the Propaganda Department of the CPC Central Committee held a national meeting on literary and art work in Beijing from 15 to 20 July. The purpose of the meeting was to solicit opinions from responsible people of various localities and departments concerned on how to make China's socialist literature and art work flourish, and make good preparations for the holding of the Fifth National Congress of Writers and Artists.

The meeting was presided over by Wang Renzhi, director of the Propaganda Department of the CPC Central Committee.

At the meeting, Hu Qili and Rui Xingwen, respectively member of the Political Bureau Standing Committee and member of the Secretariat of the CPC Central Committee, met some of the comrades attending the meeting to hear their opinions.

On behalf of the Secretariat of the CPC Central Committee, Rui Xingwen spoke at the session on 18 July. His speech covered the following five major topics: 1. Reform is entering a critical period. It takes all comrades of the party and the people of all sectors to join hands to tide over the difficult period. 2. Literary and art work plays an important role in encouraging people to devote themselves to making reforms and promoting the four modernizations, and maintaining social stability and unity. 3. A correct assessment of the situation in literary and art circles provides us with a foundation for formulating policies and putting forward and solving various problems. 4. Ways to steadily promote and make socialist literature and art flourish on a long-term basis. 5. We must ensure that the Fifth National Congress of Writers and Artists will be successful.

In discussing the first topic, Rui Xingwen said: Reform is currently in a crucial stage. Whether we can pass this test or not has a tremendous impact on our future. All comrades espousing reform should support the central authorities' decision to further carry out reforms, and strive to maintain social stability and unity. Work in all fields and formulation of all policies should be subordinated to this general trend without exception for literary and art policies and work.

Rui Xingwen said: Reform has been carried out for 10 years. We should adopt a correct attitude toward reform. We have made great achievements by making reforms in the past 10 years. This has been recognized by the whole world. However, sometimes we are not aware of our success because of our involvement in the process. We must insist on using practice and productive forces as a criterion for assessing the current situation, and must not judge right and wrong by applying outmoded and dogmatic ideas. We should justly and forcefully publicize our achievements in reform. Inadequate approval of the achievements of reform and excessive publicity of the dark side of things will only shake people's confidence in reform and do no good.

Rui Xingwen said: We must also analyze currently existing problems. At present, our economy is full of vitality and developing rapidly, and the people's livelihood has improved. At the same time, there are also many chaotic things and corrupt practices in our society. This is an indication that the old system is being transformed into a new one, and that the new order of socialist commodity economy has not been established. We must face up to these chaotic things and corruptive practices, and strive to get rid of them. Unless we dare to break with the old system by making reforms, simply because we are afraid to create problems, we will be unable to push our reforms forward. On the one hand, we must realize that temporary chaos and the negative aspect of things are the cost we must pay for transforming the old system into a new one. We do not need to panic. On the other hand, we must spontaneously add to our working agenda the task of building a new order of socialist commodity economy, and strive to shorten the

transitional period from the old system to the new one. Reform has now entered a critical period. All party members must unify their thinking, consolidate unity, and join hands to lead the people in tiding over this difficult period.

He emphasized: During the critical period of reform, it is imperative to strengthen, not weaken, party leadership, government authority, discipline, and the legal system in order to ensure the social stability needed for reform. This has a vital bearing on the success or failure of reform and the destiny of the Chinese nation. All undertakings and policies should be subordinate to the overall situation of reform with no exception for literary and art policies and work.

In discussing the second topic, Rui Xingwen said: Along with propaganda, education, and theoretical work, socialist literature and art play an important role in pushing reform and modernization, rejuvenating the Chinese nation, and developing political stability and unity. If a blunder is made in literary and art undertakings, it can produce destabilizing factors, undermine stability and unity, and impede reform and opening up as well as modernization. The comrades in literary and art circles are urged to play an important role in accelerating reform and construction and developing a political situation of stability and unity.

Turning to the third topic, Rui Xingwen said: All in all, the situation in literary and art circles has been good, and literary and art undertakings have embarked on a broad road of healthy development since the 3d Plenary Session of the 11th CPC Central Committee. To formulate a realistic policy for guiding the current work, it is necessary to correctly assess the merits and demerits and the rights and wrongs in literary and art circles over the past 10 years.

He said: Despite the favorable situation, some chaos and shortcomings exist in literary and art circles. As in the development of socialist commodity economy, there must be a new order in developing socialist literary and art undertakings. The process of establishing this new order is an arduous and complex one, during which contradictions and chaos are unavoidable. We should not be surprised or alarmed by contradictions and problems, but should work conscientiously to solve them.

He emphasized: Adhering to the four cardinal principles in ideology is the prerequisite for accomplishing modernization and promoting socialist literature and art. Without the four cardinal principles, there will be no socialism with Chinese characteristics and no socialist literary and art undertakings. These principles should be closely upheld in the reform of literature and art.

On the fourth topic, Rui Xingwen said: An important point in our experience of exercising party leadership over literature and art is that we must correctly handle the relationship between literature and art and politics.



We have learned a bitter lesson from the exercise of party leadership over literature and art in the past. In addition to following the wrong guiding principle of "taking class struggle as the key link," we used to bind literature and art to concrete political tasks and pursue eagerly quick success and instant benefit. This is why Comrade Deng Xiaoping, when discussing party leadership over literature and art, repeatedly pointed out: "We should uphold the principle of 'letting a hundred flowers blossom and a hundred schools of thought contend' and the 'principle of three not' [not seizing others' faults, not putting labels on people, and not using the big stick], and should abandon the stand of subordinating literature and art to politics because it is liable to be used as a theoretical basis for flagrant interference in cultural matters."

Rui Xingwen emphasized: However, abandoning this stand does not mean that literature and art should be divorced from politics. Comrade Deng Xiaoping also said: "Any progressive, revolutionary literary and art worker must take into consideration the social impact of his works as well as the interests of the people, the state, and the party." In the final analysis, to ensure the long-standing and stable development and prosperity of literature and art, it is imperative to uphold the orientation of "serving the people and socialism" and the principle of "letting a hundred flowers blossom and a hundred schools of thought contend." The party's basic line embodies the Chinese people's vital interests. We might as well say that in the current stage, upholding the orientation of "serving the people and socialism" means implementing the party's basic line.

He said: While implementing the party's basic line, literature and art should be a proper and healthy recreation and pastime for the people, offering them esthetic enjoyment, and exerting a favorable influence on their moral character.

He said: The party exercises political leadership over literature art, and in exercising party leadership over literature and art it should limit itself to guiding its political orientation. There should be less official interference in literary and art works. It is necessary to encourage healthy works, rectify unhealthy ones, and check negative and harmful ones through conducting democratic, comradely discussion on an equal footing and criticism and self-criticism. Only by earnestly implementing the principle of "letting a hundred flowers blossom and a hundred schools of thought contend" can a social environment and atmosphere favorable to the growth of writers and artists, the creation of a host of fine works, and a long-standing stable development and flourishing of literature and art take shape.

He emphasized: The long-standing stable development and flourishing of literature and art depends on the concerted efforts of leading party and government organs and cadres at all levels and of writers and artists. To this end, the contingent of literary and art workers should further improve their own quality. Writers and

artists should foster a correct view regarding literature and art and enhance their sense of responsibility to society. They should also enhance their Marxist-Leninist theoretical level, ideological and political understanding, and artistic attainment, and stick closely with the masses of people, the current of reform, and the practice of construction.

Turning to the last topic, Rui Xingwen said: The Fifth National Congress of Writers and Artists will be held in the 4th quarter of this year. A correct guiding principle should be adopted to ensure the success of the congress. That is, to make it a meeting of unity, a meeting that looks to the future and a meeting for the flourishing of literature and art.

On problems and differences existing in literary and art circles in the past and at the present, he urged comrades of these circles to summarize their experiences, both positive and negative, look to the future, and achieve unity in understanding based on "the central task and two basic points." He said: We should follow correct standards in judging people and matters. In evaluating a matter, we should review whether it is conducive to accomplishing the modernization drive and rejuvenating the Chinese nation. In assessing a person, we should judge him on the basis of his actual performance in upholding "the central task and two basic points" and carrying out the modernization drive. These should be the standards for comrades in literary and art circles in evaluating matters and people. The comrades should look to the future, emancipate themselves from old scores, and unite as one in promoting the flourishing of creative works.

Attending the meeting were: deputy secretaries and Standing Committee members in charge of literary and art work and directors and chiefs of literary and art sections of propaganda departments of all provincial, autonomous regional, and municipal party committees, secretaries of party groups of all provincial, autonomous regional, and municipal federations of literary and art circles, deputy secretaries in charge of literary and art work and directors of propaganda departments of party committees of cities with economic decisionmaking authority, officials of party groups of the All-China Federation of Literary and Art Circles and the Chinese Writers Association, ad hoc party leading groups of all literary and art associations, and officials from the Culture Ministry, the Ministry of Radio, Film, and Television, and the State Media and Publications Office, totaling 155 people.

**Scientists Find Vaccine for Hepatitis A**  
*HK2307080888 Beijing CHINA DAILY*  
*in English 23 Jul 88 p 3*

[By staff reporter Ma Lixin]

[Text] Chinese scientists have made a medical breakthrough for the nation by successfully producing an anti-Hepatitis A vaccine.



The new vaccine, named Hepatitis A Live Attenuated Vaccine, is said to be highly effective in preventing Hepatitis A, common epidemic disease in China.

Officials from the Ministry of Public Health announced that the new vaccine passed ministerial approval yesterday in Beijing and encouraged the scientists to produce the vaccine on a largescale.

The vaccine was produced by a group of medical researchers headed by Mao Jiangsen and Dong Dexiang of the Zhejiang Jiangsen and Dong Dexiang of the Zhejiang Academy of Medical Sciences in Hangzhou, Zhejiang Province.

Medical experts from the Chinese Academy of Medical Sciences in Beijing also participated in the research and testing of the vaccine.

It was tested on adults in May 1987 and 20 weeks of subsequent scrutiny proved it to have no harmful side-effects. This year, it is being given to children aged 4 to 12 and results so far are proving it can produce immune antibodies and is unharmed, Mao said.

Hepatitis A is extremely contagious and a great threat, especially to people living in Third World countries, he said.

Earlier this year, a break-out of Hepatitis A in Shanghai and adjoining regions reportedly killed more than 30 people and infected some 240,000

"Under the particular conditions in China, the most effective way to control the disease on a national scale is to develop an anti-Hepatitis A vaccine," Mao said.

The Chinese Government has paid much attention to the scientific search for such a vaccine, he said.

Mao and his colleagues received support from the Ministry of Public Health, the local health departments and the Science and Technology Commission of Zhejiang Province.

In 1986, the biology institute of the Chinese Academy of Medical Sciences joined the research programme and last year, the project was listed as a key project in the nation's medical study.

The same year they produced their first batch of testing vaccine which they successfully applied to rhesus monkeys.

By the end of last year, the national inspection committee for new medicine under the Ministry of Public Health had authorized the vaccine to be tested on humans.

**Foreign Business Offices in Beijing Reach 1,000**  
*HK2307081288 Beijing CHINA DAILY*  
*in English 23 Jul 88 p 1*

[By Li Yulian]

[Text] The number of representative offices established by foreign businesses in Beijing climbed to more than 1,000 by the end of last month, the Beijing Foreign Enterprise Service Corporation (Fesco) reported yesterday.

A manager of the public relations department of Fesco said foreign businesses have set up their representative offices in most of Chinese coastal cities and some large inland cities.

Beijing, as the nation's capital, has the highest number—1,046 offices set up by foreign businesses from 42 countries and two regions.

Japan is the country with the most offices in Beijing with more than 300, followed by the United States with about 150 and West Germany with about 60.

More than 60 percent of the foreign offices have employed local Chinese, CHINA DAILY was told by Fesco.

Fesco said about 2,500 Chinese are now working at foreign offices as representatives, managers, advisers, engineers, interpreters, drivers, typists, cooks, secretaries and housekeepers.

The manager said Chinese employees at foreign representative offices all work work contract.

Their salaries are at least twice as high as those working at government organizations. But they will lose their high salaries once their contracts with foreign offices expire and if new contracts are not reached.

Fesco said some foreign offices were not satisfied with the work of Chinese employees in the past because, as some offices reported, they did not have choice from. But now they have some independent power in employing Chinese staff. They can, with the approval of Fesco, hire Chinese employees directly.

One foreign company even put out an advertisement in a Chinese newspaper, seeking competent Chinese employees.

Many foreign businesses have expressed satisfaction with Chinese employees in letters responding to a survey conducted recently by the Beijing Fesco.

One Japanese company said that it felt happy it now can select competent Chinese employees and that they planned to hire more.

**Country Becomes International Ship Repair Center**  
*OW2307143288 Beijing XINHUA in English*  
0800 GMT 23 Jul 88

[Text] Beijing, July 23 (XINHUA)—With modern dockyards and state of the art facilities, China is becoming one of the world's top ship repair centers, an official from the China State Shipbuilding Corporation announced today.

The corporation repaired 134 foreign ships during the first six months of this year, the official said, adding these vessels came from more than 20 countries including the United States, the Soviet Union, Japan, Cuba, Poland, India, Singapore, Iran, and Hungary.

Since China and the Soviet Union started ship repair cooperation again in 1986, the official explained, the corporation has fixed about 20 vessels for Soviet customers who have been satisfied with China's ship repair technology and work quality.

In addition to repairing ships for foreign clients, Chinese dockyards also fixed about 50 ocean-going vessels for domestic owners and overhauled many military ships during the first half of this year.

Recently, China's ship repair industry is rapidly edging into the international market because of its good and fast service, and because the technological level of China's dockyards has improved thanks to imported equipment and technology.

In 1987, China set an all-time record by repairing 343 foreign ships.

**Water Shortage, Pollution Problems Detailed**  
*OW2507122988 Beijing XINHUA in English*  
1115 GMT 25 Jul 88

[Text] Beijing, July 25 (XINHUA)—China's long-standing problem of water shortage and pollution are likely to go from bad to worse from now to 2000, says a research report published in today's "CHINA ENVIRONMENT JOURNAL".

The country's available annual water supply potential is 1.1 trillion cubic meters, but in 1980, the country used 507.5 billion cubic meters, or 46 percent of the available potential.

Of this figure 57 billion cubic meters went to industry, 445.4 billion cubic meters to agriculture and five billion cubic meters were consumed by urban residents.

Water for both urban residents and irrigation projects is in short supply, the journal said, adding a survey of 233 Chinese cities revealed 154, or 70 percent of those surveyed, don't have enough water.

"Many of the cities facing water shortages have to ration water supplies and limit supply time which causes inconveniences for both citizens and factories," the paper reported.

The paper cited Dalian in northeast China's Liaoning Province where water shortages resulted in losses of 600 million yuan (162 million U.S. dollars) in industrial output value in 1981.

Based on the proportion of cities affected by water shortages, the report estimated 450 of all China's 644 cities are expected to witness water shortage problems by the year 2000.

Water shortages will become more serious before the year 2000 when water supplies needed by industry are expected to grow to 100 billion cubic meters, and those for urban residents to 20 billion cubic meters, the paper said.

Also in rural China, 55 million hectares of China's 100 million hectares of arable land is not being irrigated, the paper said, and nine million hectares of pastures also need more water.

By the year 2000, the paper predicted, the amount of water needed for agriculture will climb to 514.7 billion cubic meters from the 1980 figure of 419.5 billion cubic meters.

Water pollution is also serious in China, the paper said, quoting statistics which show 80 percent of the sewage discharged into the country's water supply in 1985 was untreated.

The report also predicted, the amount of sewage discharged nationwide will grow to 70 billion tons in the year 2000 from the 1985 figure of 34.2 billion tons, and may result in economic losses of up to 23.3 billion yuan (6.3 billion U.S. dollars).

In spite of water shortages, many Chinese enterprises prefer to pay more for water than conserve or recycle water, the paper said, because even at higher prices the cost of water is still cheap.

Not enough money for water pollution control is expected to still be a problem in the year 2000, the paper said, adding during the country's Seventh Five-Year Plan period (1986-1990), China spent 12.5 billion yuan (3.4 billion U.S. dollars) on water pollution control.

**Schools Receive Greater Admission Power**  
*OW2507033488 Beijing XINHUA Domestic Service*  
in Chinese 0551 GMT 17 Jul 88

[Excerpts] Beijing, 17 Jul (XINHUA)—The nation's schools of higher education will soon begin admitting students for this year. A leading member of the State

Education Commission's Department for the Supervisory of Students of Schools of Higher Education, which is in charge of admission of college students, has issued a statement in connection with expanding the autonomy of ordinary schools of higher education in admitting new students.

He said: While the previous centralized admission system was very effective in ensuring fairness, it was nonetheless defective since schools had only minimal powers. According to the "Regulations Governing the Expansion of Authority of Ordinary Schools of Higher Education in Admitting New Students" promulgated by the State Education Commission last year, the purpose of the new system—under which "schools are responsible for admitting new students under the supervision of offices in charge of student enrollment"—is such that the principle of "admitting the best students while assessing their moral character, intellect, and physical health" can be more effectively implemented.

According to the official, one main point of the new admission system lies in the fact that, among those who are politically, ideologically, and morally acceptable, who have passed the physical exam, and whose scores on the joint exam have reached the standards set by the schools, the schools have the authority to obtain and examine the records of students and decide whom to admit. [passage omitted]

He said: Under the new system, offices in charge of student enrollment of all provinces, autonomous regions, and municipalities directly under the central government have the authority to draw up specific admission guidelines, set admission standards, and supervise various schools' admission affairs according to the State Education Commission's regulations and according to the local situation.

He pointed out: Some people assume that expanding schools' autonomy means that schools can admit whomever they want. This is a completely a misconception. The schools can only exercise their admission authority and the student enrollment offices can only exercise their supervisory authority within the scope prescribed by laws. Schools have no rights to violate the admission standards set by the State Education Commission. [passage omitted]

He said: The State Education Commission has already promulgated the "Provisional Regulations Governing the Punishments for Ordinary Schools of Higher Education in Enrolling Students." Whoever violates the regulations will be punished according to law without fail. [passage omitted]

**'History of Chinese Civilization' Being Compiled**  
*HK2207122888 Beijing GUANGMING RIBAO*  
*in Chinese 10 Jul 88 P 1*

[Report by correspondent Pan Renshan (3382 0088 1472): "History of Chinese Civilization, a Magnum Opus of Historic Significance, Is Being Compiled"]

[Text] On 8 July, the first working meeting on the "History of Chinese Civilization," a magnum opus of historic significance, sponsored jointly by the Committee for Compiling the "History of Chinese Civilization" and the Hebei Education Publishing House decided on the compiling principles and set the concrete tasks.

The monumental work contains 10 volumes carrying some 6 million characters and several thousand color and black-and-white plates. The book dates back from prehistoric culture to the Revolution of 1911, exploring the source of Chinese civilization, and contains the achievements of Chinese history studies made in all times and in all countries. It is therefore regarded by the academic circles as the most pioneering work of far-reaching academic and social value in the field of Chinese historical science since the founding of the PRC.

The book "History of Chinese Civilization" covers 21 branches of learning, including politics, economics, military affairs, legal systems, cultural environments in past dynasties, academic and cultural thinking, national culture, education, science and technology, literature, historical science, fine arts, writing, cultural exchanges, folk culture, traditional opera, architecture, music, dance, physical culture, and religion. The compilers are mainly outstanding young and middle-aged scholars. Famous scholars of the older generation, such as Zhong Jingwen, Zhang Ding, and Guo Yuheng are specially invited as chief compilers for the various branches of learning.

The book is expected to come out in succession between 1991 and the beginning of 1992.



### East Region

**Wei Chunshu on Guangxi Boosting Export Economy**  
*OW2307053788 Beijing XINHUA in English*  
1211 GMT 2 Jul 88

[Text] Nanning, July 22 (XINHUA)—South China's Guangxi Zhuang Autonomous Region is gearing up to expand its export-oriented economy, Wei Chunshu, chairman of the regional government said here today.

Wei said the region aims to double its current exports to one billion U.S. dollars by 1990, and to absorb foreign investment amounting to between 800 million U.S. dollars to one billion U.S. dollars.

To achieve the objectives, Wei said, the region is working on its infrastructure.

It has completed a new railway between Nanning, the regional capital, and Fangcheng, one of China's open cities, and has built a new airport and nine berths to accommodate 10,000-dwt ships at Beihai, another port city.

It is going to build an airport in Wuzhou, one of China's newly-opened city bordering with Guangdong Province. Airports in three major cities will be expanded and computer-controlled telephone switches installed in Beihai and Wuzhou.

Rich in natural resources, the region has verified reserves of 96 types of minerals, abundant hydroelectric power resources, sub-tropical crops and tourist spots.

Located near Hong Kong and Macao, it enjoys state preferential policies to coastal economic development zones and ethnic minority regions, Wei said.

The region has signed contracts with a Hong Kong company to jointly build three power stations.

**Hangzhou Simplifies Joint Venture Procedures**  
*HK2507130388 Beijing RENMIN RIBAO*  
in Chinese 21 Jul 88 p 2

[Report by Lin Zongping: "Procedures for Approving Joint-Venture Contracts Simplified in Hangzhou City"]

[Text] "We did not expect that all the procedures for opening a joint venture could be completed in such a short time and that the enterprise could begin to operate and yield returns so quickly." This is the way some Hong Kong businessmen recently praised the efficient operation of the Xinglong Artificial Flower Co. Ltd. and the Xinnan Rattan Product Co. Ltd. in Hangzhou.

The Chinese partners of these two joint ventures contacted their Hong Kong partners and began the business negotiations early this year. In May, they began to operate. It took less than half a year to complete all the approval procedures from application to the beginning

of operation. At present, the artificial flower company has received purchase orders with a total value of U.S.\$120,000. The rattan product company has received orders totaling HK\$330,000.

A major reason for the start-up of these two joint ventures was the reduction in approval steps and the simplification of the approval procedures. This year Hangzhou City became an open city and has the authority to approve projects involving less than U.S.\$30 million in investments. The city authorities concerned simplified the approval procedures to speed up the examination and approval of investment projects. The approval procedures use direct delivery of papers, rather than postal service, whenever possible. This also speeds up the approval procedures.

The government departments concerned also took the initiative in serving the enterprises. This was another major reason for the rapid start-up of the two joint ventures. Previously, the two joint ventures were enterprises run by a district and by a village. They lacked foreign business knowledge. Comrades in the city foreign economic relations and trade commission gave them professional guidance, and went to the factories to solve the practical problems without delay.

**Jiangsu Businesses Separate From Party**  
*OW2407060688 Beijing XINHUA in English*  
0541 GMT 24 Jul 88

[Text] Beijing, July 24 (XINHUA)—Some official-run companies and enterprises in China's Jiangsu Province are being separated from the Communist Party and government institutions that used to sponsor them, "PEOPLE'S DAILY" reported today.

The move is made after the provincial government and party committee issued in May a circular reiterating that party and government officials are not allowed to run enterprises and get involved in commercial activities, said the party paper in a front-page report.

Communist Party leaders, including party General Secretary Zhao Ziyang, have said repeatedly that a distinct line should be drawn between officials and merchants so as to do away with bribery and corruption.

According to incomplete statistics, a survey of 11 cities in the province found that there are altogether 240 companies and enterprises run directly by such institutions at the city level and another 133 companies are run by retired provincial cadres, various societies and departments under the provincial government.

One hundred and thirty-four city officials as well as some provincial officials are holding important posts in these businesses such as chairmen of the board of directors and managers, the daily said.

After a one-month survey and clarification, such companies and enterprises in cities of Zhenjiang, Yangzhou, Yancheng and Nantong have been re-classified and their ties to their original leading bodies cut off.

Those in other cities are also being dealt with, the paper said.

Cadres at grass-root levels have long been critical to these businesses, saying that it is extremely dangerous if they should continue to be closely linked with official organs, according to the paper.

Meanwhile, the daily front-paged a commentary today urging officials to resign from their government and party posts and take up business careers.

Describing the news about 100 official-turned-businessmen in the northeast Province of Liaoning as "encouraging", the signed article said that in China, there are far more officials than necessary posts and although the number of businessmen has been increasing fast, it is still too small for the one billion Chinese population.

In some provinces, it said, leading cadres at township level and above total 330,000, enough to form 10 to 20 group armies.

Noting that some people have been seeking the limited official posts, the article called on people to display their talents in building the socialist commodity economy.

**Governor Gu Xilian on Opening Jiangsu to Henan**  
*OW2507074488 Nanjing Jiangsu Provincial Service in Mandarin 2200 GMT 20 Jul 88*

[Text] Speaking at a meeting held in Nanjing yesterday afternoon to discuss recruitment of contractors to work in Henan enterprises, Governor Gu Xilian said: The Jiangsu provincial government firmly supports enterprises in Jiangsu entering into contractual operation with Henan enterprises through open bidding. While opening its door wide open to Henan, Jiangsu also welcomes Henan enterprises to enter into similar operations with Jiangsu enterprises.

After completing its study tour in (Shujitang) areas in Jiangsu, the Henan economic and technical cooperation delegation headed by Cheng Weigao, governor of Henan, arrived in Nanjing 19 July. Yesterday morning Cheng and other delegation members had discussions with leading members of the Jiangsu Provincial Government, the Nanjing Municipal Government, and relevant departments on long-term and steady Jiangsu-Henan economic cooperation. They also exchanged views on

previous cooperation issues. Leaders of the two provinces agreed that, to expedite their economic development, Jiangsu and Henan would exchange delegations each year to study each other's economic and technical development and discuss implementation of various cooperation projects.

The delegation disclosed at a meeting in the afternoon that Henan is ready to designate 40 enterprises for Jiangsu contractors. After describing the situation of these 40 enterprises and Henan's preferential policies, the delegation said that Henan hopes Jiangsu enterprises will provide guidance for Henan enterprises, enter into joint operations with them, lease or even buy up these enterprises.

To speed economic development and expand import-export trade, Henan has invested in building berths and warehouses in Jiangsu's Lianyungang. The province has also on many occasions sent personnel to (Shujitang) to receive training and study business management. Presently economic cooperation between Jiangsu and Henan is developing in depth. Many places have already established cooperative relations and many cities have established friendly ties.

**Jiangxi Governor Attends Meeting on Reform**  
*OW2407154188 Nanchang Jiangxi Provincial Service in Mandarin 1000 GMT 15 Jul 88*

[Excerpts] A provincial meeting of commissioners, mayors, and county magistrates closed in Nanchang on 15 July. During the meeting, its participants had an animated discussion on a proposed general campaign to develop agriculture and accelerate reform, and pledged to successfully carry out the campaign in line with the requirements set by the provincial party committee and the provincial government, and to accelerate the reform in order to contribute to the rejuvenation of Jiangxi.

The meeting was attended by some 340 people, including Comrades Wu Guanzheng, Jiang Zhuping, Wang Zhao-rong, Lu Xiuzhen, Zhao Zengyi, Huang Huang, Qian Jiaming, Sun Xiyue, Chen Guizun, Xu Zhaolin, and Liao Yanxiong. Central Advisory Commission member Bai Dongcai, veteran Comrade Fu Yutian, commissioners, mayors, and county magistrates, and officials from all provincial-level departments.

Jiang Zhuping made a closing speech at the meeting. His speech dwelt on five topics: (1) doing a good job in this year's economic work; (2) successfully launching the general campaign to develop agriculture; (3) accelerating reform; (4) keeping the government clean; and (5) ensuring good public order. [passage omitted]

Bai Dongcai, Zhao Zengyi, and Fu Yutian also spoke at the meeting. They affirmed the recent achievements scored by the provincial party committee and the provincial government, and spoke highly of their policy



decision to launch a general campaign to develop agriculture and their requirements for accelerating reform and raising economic efficiency. They urged the cadres and ordinary people alike in Jiangxi to work with one heart and one mind in promoting provincial reform and construction.

**Jiangxi Secretary Visits Power Industry Workers**  
*OW2507122088 Nanchang Jiangxi Provincial Service in Mandarin 1000 GMT 21 Jul 88*

[Excerpt] Yesterday, leading cadres of Jiangxi Province and Nanchang City visited factories, villages, worksites, and PLA units in Jiangxi to meet workers, peasants, fighters, and cadres working under severe summer heat conditions at the frontline of their respective fields and to offer them their warm regards.

Yesterday morning, provincial party committee Secretary Mao Zhiyong visited the control tower of the provincial electric power center to offer his regards to cadres, staff, and workers working at the frontline of the electric power industry. He walked into the engine and control rooms, shook the hands of technicians, and said: Electric power is inseparable from industrial production and the people's livelihood. It is hard for all of you to have to work extra hours under such high temperatures. On behalf of the provincial party committee and government, I thank you all.

He also made inquiries regarding the generation and supply of electric power. Mao Zhiyong stressed: During this period of severe summer heat, we must adopt all possible measures to guarantee the supply of electricity to meet the people's daily needs in order to ensure their physical and mental health. [passage omitted]

**Jiangxi's Mao Zhiyong, Wu Guanzheng Meet Artists**  
*OW2507050188 Nanchang Jiangxi Provincial Service in Mandarin 1000 GMT 17 Jul 88*

[Excerpts] This morning Liu Fangren, deputy secretary of the provincial party committee, held a discussion meeting with some participants in the provincial cultural work conference in connection with structural reform for artistic performance troupes in Jiangxi.

At the meeting, the participants noted that since 1985 our province has explored and experimented with ways to reform the structure of artistic performing troupes and has achieved some results. However, the power of management is still highly concentrated in government departments in charge of cultural matters. The unitary system of ownership and management developed over the years makes it difficult for opera troupes to operate and be managed as independent entities. Egalitarianism in distribution has shackled artistic competition.

In connection with these problems reported by comrades of the prefectures and cities at the meeting, Liu Fangren said: Only by reforming the current system that lets the

government monopolize all cultural activities, breaking the iron rice bowl, and stopping the practice of eating from the same big pot can we truly invigorate artistic performing troupes, arouse enthusiasm of artists, and develop their productive forces faster. [passage omitted]

Vice Governor Chen Guizun and officials of the Propaganda Department of the provincial party committee, the provincial Culture Department, and other departments concerned attended the meeting.

Before the meeting, Mao Zhiyong, Secretary of the provincial party committee; Wu Guanzheng, provincial governor, and other leading comrades met with the representatives attending the provincial Cultural Work Conference, and posed with them for photos.

**Shandong Congress Committee Meeting Ends**  
*SK2307112788 Jinan Shandong Provincial Service in Mandarin 2200 GMT 20 Jul 88*

[Text] The fourth meeting of the Standing Committee of the seventh provincial People's Congress ended at Nanjiao Guesthouse in Jinan on the afternoon of 20 July.

At the plenary meeting held on the afternoon of 20 July, the following were adopted: Shandong Provincial regulations on family planning, the provincial regulations on protecting the legitimate rights and interests of old folks, the resolution of the Shandong Provincial People's Congress Standing Committee on further strengthening the provincial nationalities work, and the resolution of the Shandong Provincial People's Congress Standing Committee on approving the provincial 1987 financial final accounts.

Li Zhen, chairman of the provincial People's Congress Standing Committee, gave a speech at the end of the meeting. He said: During this meeting we have conscientiously studied the important speeches of Comrades Zhao Ziyang and Wan Li and further clarified the current situation and tasks. During this critical period of reform, we should consider the work of guaranteeing and promoting reform and opening up as a task of primary importance for people's congresses and the work of strengthening socialist democracy and the legal system as their key tasks.

We should consolidate the reform achievements and readjust the new economic relations through legislative means and in line with the province's reality in an effort to promote the realization of reform, opening up, and the strategic policy decision for economic development. It is necessary to strengthen the supervisory functions of the people's congresses and their standing committees; guarantee the correct implementation of the Constitution and laws; and strengthen supervision over the work of the governments, courts, and procuratorates with a view to overcoming bureaucracy and corrupt practices and promoting honesty among government organs.



In his speech, Comrade Li Zhen also set forth demands on implementing the adopted Shandong Provincial regulations on family planning and the provincial regulations on protecting the legitimate rights and interests of old folks. He also worked out plans and made arrangements for the work of the provincial People's Congress Standing Committee for the second half of this year.

Xiao Han, vice chairman of the provincial People's Congress Standing Committee, presided over the plenary meeting on the afternoon of 20 July. Lu Hong Wang Shufang, Xu Jianchun, Lin Ping, Xu Sen, Yan Qingqing, and Li Ye, vice chairmen of the provincial People's Congress Standing Committee, attended the meeting. Vice Governor Ma Shizhong and others attended the meeting as observers.

**21-Ton Gold Ore Deposit Found in East Shandong**  
*HK2507124788 Beijing CEI Database in English*  
25 Jul 88

[Text] Jinan (CEI)—A gold deposit with a reserve estimated at 21 tons has been found in Rushan County in eastern Shandong Province.

Yi Fuzhang, head of a geological prospecting team, said the high-grade ore is in a quartz vein. He said the deposit also contains 100 tons of silver.

The life of a mining operation will be about 20 years, he estimated.

The Jiaodong Peninsula, where Rushan is located, ranks the first in China for both reserves and output of gold.

**Dialogue Between Shanghai Leaders, Journalists**  
*HK2207143888 Beijing RENMIN RIBAO*  
in Chinese 19 Jul 88 p 1

[Report by Zhang Shihong (1728 0013 7703): "Leaders of Shanghai Establish a System To Hold Dialogue With Journalistic Circles"]

[Text] Shanghai, 17 Jul—At a press conference, Jiang Zemin, Secretary of Shanghai Municipal Party Committee, said that the leadership comrades of the municipal party committee and the municipal government will establish a system of dialogue with journalistic circles. This is to allow the exchange of ideas and information and further increase the openness of the work of the municipal party committee and the municipal government, thus strengthening media work.

This press conference was organized by the Propaganda Department of the municipal party committee. Secretary of the municipal party committee Jiang Zemin and Mayor Zhu Rongji attended the conference and gave speeches. They recounted the current situation in Shanghai, the problems confronting it, and the work measures of the municipal party committee and the municipal government. At this conference, they expressed great

concern over the work of the leading central news organs stationed at Shanghai. They solicited everyone's opinions on the work of Shanghai. They said that they would strive to help everyone solve some problems encountered in gathering news. Comrade Jiang Zemin said: In the future, constant contacts will be maintained with the leading central news units stationed in Shanghai. A system of holding regular dialogue will be established. The responsible persons of the leading central news units stationed in Shanghai gave speeches at the conference, expressing thanks to the municipal leadership for support in their news gathering activity.

**Zhu Rongji Reports at Shanghai People's Congress**  
*OW2307055388 Shanghai City Service in Mandarin*  
2200 GMT 19 Jul 88

[Text] During the second session of the Standing Committee of the Shanghai Municipal People's Congress held yesterday morning, Mayor Zhu Rongji made a report on the work of the municipal government during the first half of the year, as well as Shanghai's situation in carrying out reform and opening to the outside world.

After reviewing the work of the first half of the year, Mayor Zhu pointed out: Thanks to the efforts of the people in Shanghai, the situation of economic development during the first half of the year was good. Although there will be many problems in the second half of the year, we believe that we can attain this year's objectives and achieve even greater successes in the second half of the year if we work hard.

Zhu Rongji said: Shanghai will face new challenges next year. Because of the grimmer situation, we must increase our enterprises' profitability by carrying out more thorough reform. During the second half of the year, the municipal government, in addition to promoting export, increasing production and revenues, and conserving expenditures and resources, will pay special attention to the following projects:

1. We will continue to improve enterprises' profitability through reform so that their contractual operation will be based on competition. Certain factories will test the systems of hiring directors through open bidding, and regrouping workers to optimize performance. Mechanisms within enterprises will be restructured, and experiments will be conducted to reform the wage, distribution, and labor systems. Research will be made on how to invigorate the operation of large and medium-sized enterprises.

2. We will build a large contingent of entrepreneurs compatible with the new order of the socialist commodity economy and the requirements of the export-oriented economy. We will train a number of people to become proficient entrepreneurs.

3. We will continue to improve the urban traffic system and the investment environment. We will improve the management of the infrastructure, build more supporting facilities, and improve the quality of all services so that Shanghai can have a better image for foreign visitors—an image that can do justice to Shanghai's status.

4. We will improve our ideological and political work to boost the morale of people in Shanghai and rally the efforts of all quarters to revitalize Shanghai.

**Shanghai Mayor Addresses Business Meeting**  
OW2507050488 Shanghai City Service in Mandarin  
0900 GMT 18 Jul 88

[Excerpts] Speaking at a business meeting he chaired this morning, Zhu Rongji, mayor of Shanghai, called on all trades and professions and people in Shanghai to raise their spirits and make concerted efforts to combat difficulties caused by sustained summer heat, and make every effort to maintain industrial production and agricultural and sideline production.

The lingering heat plaguing Shanghai since the beginning of July has caused immense problems for industrial and agricultural production and people's livelihood. After hearing the reports of various departments, the mayor pointed out that production must not slacken despite the problems. He said every effort must be made to accomplish the July quotas for industrial production and agricultural and sideline production.

Mayor Zhu urged leading cadres of all departments, committees, and offices, districts, counties, and bureaus to visit the grassroots units not only to cheer up the producers, but also to help them solve problems. [passage omitted]

Upon being informed of the shortage of summer goods on the market, the mayor said that, whenever possible, relevant manufacturers should make every effort to increase output, and commercial departments should do all they can to ensure market supply with their reserves. [passage omitted]

Today's meeting also discussed and drew up measures for improving Shanghai's traffic, developing bases of nonstaple food production, restructuring the production-marketing system, improving Shanghai's investment environment, improving services, beautifying the urban areas, and improving sanitation, taxi service and production safety.

**Mayor of Shanghai Calls on Factory Workers**  
OW2407011488 Shanghai City Service in Mandarin  
0900 GMT 19 Jul 88

[Excerpts] Leading comrades of the Shanghai Municipal CPC Committee and the municipal government today went to various localities in the fields of industry, communications, construction, public security, tourism,

and urban transportation in Shanghai to improve the morale of the workers and staff members in combatting breathless heat and thank them for their hard work to serve the people in such hot weather.

Jiang Zemin, secretary of the municipal CPC committee; Wang Liping, Standing Committee member of the municipal CPC committee; and Ni Hongfu, vice mayor of Shanghai; and other leading comrades had visited the Nanshi Water Works and the Nanshi Power Plant this morning. [Passage omitted]

At noon, Mayor Zhu Rongji visited the Shanghai Non-ferrous Metals Pressing and Rolling Works to boost the morale of the workers who were working hard in scorching heat. He said: I came here to gain some personal experiences in working under 65-degree centigrade heat. He stayed near the furnace about 10 minutes, while cordially talking to the workers. [Passage omitted]

Those leading comrades of the municipal CPC committee and the municipal government who visited various basic-level units today included Yang Di, Wu Bangguo, Liu Zhenyuan, Ni Tianzeng, Xie Lijuan and Zhuang Xiaotian.

**Shanghai Reports Economic Increases Over 1987**  
OW2307090688 Beijing XINHUA in English  
0723 GMT 22 Jul 88

[Text] Beijing, July 22 (XINHUA)—Shanghai, China's largest industrial center, has scored 28.3 billion yuan (7.7 billion U.S. dollars) in gross national output value during the first half of this year.

According to today's "ECONOMIC DAILY," this figure represents 7.4 percent more than the same 1987 period, and during the period the city witnessed steady economic growth in industry, foreign trade and commerce.

During the same period, the paper said, the city's total industrial output value hit 51.476 billion yuan (13.9 billion U.S. dollars), or an increase of 6.6 percent over the same period last year.

Export transaction volume and total export value were logged at 3.1 and 2.34 billion U.S. dollars respectively, or up 8.3 and 16 percent over last year's figures.

During the first six months of this year, Shanghai signed 47 contracts with foreign firms for projects worth 158 million U.S. dollars of investment.

Also during the period, investment in non-production related projects was down 8.9 percent, and was cut from 38.2 to 32 percent in overall investment. The municipal government saved 3.58 billion yuan (968 million U.S. dollars) during the period by halting construction on 19 hotels and restaurants.



The city's markets were active, with total retail sales climbing to 14.27 billion yuan (3.9 billion U.S. dollars), or 22.8 percent more than the same 1987 period.

In spite of the increases, the city's economic situation is still serious, the paper said, because of inadequate raw material supplies, price hikes and limited funds.

Shanghai's Mayor Zhu Rongji believes the only way to solve these problems is to continue the reform and make the city's enterprises more efficient.

### Central-South Region

**Guangdong Governor for Punishing Price Violators**  
*HK2307035588 Guangzhou Guangdong Provincial Service in Mandarin 1030 GMT 22 Jul 88*

[Text] Governor Ye Xuanping said at a provincial conference on market prices this morning: In the current price reform, we must pay attention to protecting the masses' economic and psychological endurance of prices, and severely punish without mercy units and individuals that indiscriminately hike prices and fees, especially middlemen who practice exploitation.

Since the province launched its major price inspection 1 month ago, all localities have organized forces and initially exposed a number of violations of price controls. Governor Ye said that the responsible persons of the government at all levels must personally deal with such cases. In particular, units that do this sort of thing again and again must be punished so hard that they will not dare to act in this fashion in the future.

**Guangxi Secretary Speaks at Corruption Meeting**  
*HK2507062188 Nanning Guangxi Regional Service in Mandarin 1030 GMT 22 Jul 88*

[Excerpts] The regional party committee and government called leading cadres from offices directly under the regional authorities to a meeting in Nanning yesterday, stressing that party and government organs should be kept away from corruption, work selflessly for the common good, and work for the people wholeheartedly.

Regional party committee Secretary Chen Huiguang delivered a speech at the meeting. He noted: Keeping clear of corruption and serving the public with one heart and one mind is the fine tradition of our party and also the guarantee for the success of our party's cause. Whether party and government organs can avoid corruption has a direct bearing on the success or failure of our reform and economic construction. In recent years there have been a small number of party members, and even leading cadres, who could not stand the test of being in power and implementing the reform and opening up policy, and their behavior has discredited the image of the party and adversely affected the relationship between the party and the masses and the relationship between the cadre and the masses. For this reason, we

must address the problem earnestly. Party and government leaders at various levels, all party members and vast numbers of cadres should of their own accord be honest and upright in performing official duties, resolutely guard against and do away with all kinds of embezzlement, work for the people wholeheartedly.

To this end, Secretary Chen Huiguang emphasized, rigorous and resolute measures should be taken to approach the following major problems. First is to resolutely stop party and government organs from doing business and running companies. [passage omitted] Second is to unfailingly check such evil tendencies as giving lavish dinner parties and gifts, eating and drinking extravagantly at the expense of public money and spending without restraint. Third is to solve some problems which the masses have loud complaints against.

Chen Huiguang also stressed: Leaders at all levels should, out of their sense of responsibility, pay great attention to the work of keeping honest and upright in performing official duties. Party and government organs at all levels should check the work at each level and leading organs and leaders should set an example. Meanwhile, judicial organs should give fuller play to their supervisory role in observing strict discipline, enforcing discipline and law, and acting according to law. Efforts should be made to intensify ideological and political work. Party member cadres should of their own accord keep honest and upright in performing official duties, work through arduous efforts, discharge their responsibility, fulfill their duty, and unite the vast numbers of the people to go through the difficult time so as to push the reform forward and step up economic development in Guangxi. [passage omitted]

After giving a briefing on the region's economic situation in the first half of the year and arrangements for the region's work in the second half of the year at the meeting, Wei Chunshu, deputy secretary of the regional party committee and governor of the regional people's government, pointed out: Our region is now facing some important problems—a poor harvest in grain production in the first half of the year, poor economic returns in enterprises, and steep price increases. Referring to the arrangements for the region's work in the second half of the year, he stressed: We must have a correct understanding of our region's economic situation in the first 6 months of the year, seek unity of thought, and strengthen our confidence. In particular, we must see that the crop failure in grain production in the first half of the year will impose pressure on our work in the second half of the year. We must therefore overcome difficulties by hook or by crook to do work better in the second half of the year so as to make up for the economic losses caused by severe natural disasters in the first half of the year. [passage omitted]



**Hainan Leaders View Current Economic Problems**  
*HK2307042388 Haikou Hainan Provincial Service  
in Mandarin 1000 GMT 22 Jul 88*

[Excerpts] The Hainan Provincial CPC Work Committee and government held their second joint executive conference on 21 July to solve various problems for the cities and counties. [passage omitted] According to information from the departments concerned, 161 problems were submitted for solution, including 127 involving money allocations or loans. The meeting either solved or looked into solutions for these problems. [passage omitted]

Xu Shijie and Liang Xiang spoke at the meeting. Liang Xiang said with regard to the current main problems in work in the province

[begin recording] I hold that the first problem is in the rural areas, the problem of developing agriculture and especially assisting poor areas and extricating them from poverty and solving the food and clothing problem. This is a very important problem in our current work. The second problem is that of reversing the losses being made in industry. This too is very important. I hold that we must first solve these two problems in developing production, otherwise, it will be very difficult for us to advance. [passage omitted]

We have 269 industrial enterprises, and 110 of them made losses in the 1st half of the year. Last year 109 ran at a loss, so only 1 more is running at a loss this year, but this means that 41 percent of the enterprises are making a loss, nearly half. We must therefore attach great importance to transforming the existing enterprises. [end recording] [passage omitted]

**Hainan Meeting on People's Conference Details**  
*HK2507012588 Haikou Hainan Provincial Service  
in Mandarin 1000 GMT 24 Jul 88*

[Excerpts] The preparatory group for the establishment of Hainan Province held a meeting yesterday to prepare for the provincial people's representatives conference by holding democratic discussions on the allocation of representatives, election issues, and so on. [passage omitted] Xu Shijie, director of the preparatory group, and Liang Xiang, deputy head, attended the meeting. Comrade Xu Shijie presided. [passage omitted]

Xu Shijie said: In accordance with the decision of the NPC Standing Committee, the city and county representatives to attend the provincial people's representatives conference will be elected by the city and county people's congresses. The representatives from political parties, mass organizations, state organs, and PLA units will be under the auspices of the preparatory group for the establishment of Hainan Province and will be selected through democratic consultation. The representatives to the conference include those from the agricultural reclamation system, returned Overseas Chinese, women, minority nationalities, workers, peasants, and other

laborers, cadres, intellectuals, democratic parties, non-party patriotic figures, the PLA, and so on, representing a broad spectrum. [passage omitted]

It is necessary to hold full discussions and democratic consultations in electing outstanding representatives from all sectors and trades together with representatives who are strong on political debate. We must also do a good job in examining the representatives' credentials.

**Hubei Secretary Links Industry, Agriculture**  
*HK2507151988 Wuhan Hubei Provincial Service  
in Mandarin 1130 GMT 22 Jul 88*

[Excerpts] Provincial party committee Secretary Guan Guangfu recently went to Jingzhou Town, Qianjiang City, and Xiantao City and listened to reports by comrades in charge of the Jingzhou prefectural party committee and administrative office, Jiangling County, and Xiantao City. In addition, the secretary made an inspection tour of the Jiangling County candied fruit and syrup plant and the Xiantao textile mill.

Commenting on the reports and the inspection tour, Comrade Guan Guangfu stressed repeatedly: Economic development in Jingzhou carries a lot of weight in the whole province. Jingzhou has a sound foundation in work, its economic development is rapid, and it is full of drive. Viewed from the trends, however, the gap between Jingzhou and the advanced areas in the country is becoming wider and the distance between Jingzhou and the areas that lag behind is getting closer. Based on what has been achieved in economic construction in past decades, Jingzhou should, therefore, make a step forward in all aspects of its work.

On 14 July, Comrade Guan Guangfu and provincial Advisory Commission Vice Chairman Chen Ming listened to a report made by Comrade (Qi Linmao). Comrade Guan Guangfu said: In accordance with the plans mapped out by the provincial party committee, members of the Jingzhou prefectural party committee seriously discussed the criterion of the productive forces and saw of their own accord where they had lagged behind. As a result, their understanding has been greatly increased. The criterion of the productive forces is a major yardstick to measure the contributions made by a party, a locality, a unit, or an individual to the state and the nation. It is also a manifestation of applying dialectic materialism and historical materialism. We must continue to solve our ideological problem of whether we believe in capitalism or socialism by means of the criterion of the productive forces. The heart of the problem is that we must further understand and resolutely implement the party's line formulated since the 3d Plenary Session of the 11th CPC Central Committee.

Comrade Guan Guangfu continued: To further economic development in Jingzhou, we must work with two fists. We should not give up what has been achieved and should strive for something new. This means that while

continuing to develop agriculture, we must expand industry on a big scale in an effort to promote agricultural development through industrial development. Meanwhile, efforts must be made to establish and strengthen the industrial system as an aid to agriculture and increase input in agriculture. Now whenever agricultural input is stressed in some localities, people are apt to think of money. This is a lopsided view. As a matter of fact, in saying agricultural output, we mean that we must take agricultural zoning, soft input, and hard input into consideration as a whole. Meanwhile, we must improve the production structure and promote developmental agriculture and ecological agriculture in line with local conditions. We must vigorously encourage agricultural specialization, commercialization, and modernization so as to build our province's agriculture on the basis of modernization.

Comrade Guan Guangfu also pointed out: For Hubei's agricultural development, vigorous measures must be adopted to stop large reductions in cultivated land, the ever-increasing population, and environmental pollution. These are three major elements checking our agricultural development. As these are achieved, we must also attain two objectives. One is to advance agricultural specialization, commercialization, and modernization to a new level through science and technology. The other is to raise per-capita grain consumption. Hubei Province should by no means follow the model which expands industry while shrinking agriculture and letting a large number of the labor force flow from rural areas to urban areas. Hubei should vigorously develop the cities and maintain a high output of grain, cotton, and oil bearing crops while consolidating and developing our province's agro-economy. On this basis, Hubei Province must also improve its production structure and develop industry and the tertiary industry and in turn promote agricultural development. While developing the secondary and tertiary industries to absorb surplus labor force from the rural areas, we must encourage peasants to develop their compound economy so that they will be able to make full use of their spare time to develop agricultural production and attain prosperity at a faster pace. [passage omitted]

**Bankrobber-Murderers Executed in Hunan**  
OW2507214488 Beijing XINHUA in English  
1508 GMT 25 Jul 88

[Text] Changsha, July 25 (XINHUA)—Three men who killed two bank guards in a bank robbery last year were sentenced to death today by the Yueyang Intermediate Court.

Yi Maohua, Li Danian and Wang Yueping plotted to rob a bank after they incurred debts in a jointly-run business.

At 01:00 on July 7, 1987, they slipped into a branch of the Agricultural Bank in Yueyang City, Hunan Province, and fatally stabbed guards Zhang Haoquan and Li Yong.

Then they broke open the vault but could not open the safe and so fled empty-handed.

Li Danian and Wang Yueping sneaked into Burma on July 30 last year. They were repatriated back to China in February.

The three were executed today.

### Southwest Region

**Tibet People's Congress Session Opens 25 Jul**  
HK2607011888 Lhasa Tibet Regional Service  
in Mandarin 1330 GMT 25 Jul 88

[Excerpts] The First Session of the Fifth Tibet Regional People's Congress solemnly opened in Lhasa today. [passage omitted] The opening ceremony was attended by leading comrades of the party, government, and army in Tibet including Redi, Basang, Mao Rubai, Dangzin, Gyanincain Norbu, Hu Songjie, Jiang Hongquan, (Ma Lisheng), Zhang Xiangming, Niu Ruizhou, Hou Jie, Cao Xu, and Puquin. [passage omitted]

Regional people's government Chairman Doje Cering delivered a report on the work of the government. The report was in three parts: 1) the basic performance in government work during the past 5 years; 2) strive for complete fulfillment of the Seventh 5-year plan; 3) strengthen nationality solidarity and preserve the unity of the motherland.

Doje Cering said: Tibet has made a certain degree of progress in economic construction during the past 5 years. The region's gross domestic product in 1987 was 1.77 billion yuan, while national income was 1,228 million yuan, and total value of industrial and agricultural output was 895 million yuan. These figures were respectively 91 percent, 112 percent, and 17.4 percent greater than in 1982, showing respective annual increases of 13.85 percent, 16.2 percent, and 3.25 percent. The financial situation has gradually improved, and living standards have risen. In 1987 the central authorities provided the region with 1.02 billion yuan in quota and special subsidies, an increase of 50.59 percent over 1982. [passage omitted]

Average peasant and herdsman income in 1987 was 361.12 yuan, an increase of 173.79 yuan over 1982, having risen at an average annual rate of 14.05 percent. The food and clothing problem has been basically resolved for most of the masses. Total retail sales in the region in 1987 were 965 million yuan, a rise of 157 percent over 1982. The urban markets are prosperous. [passage omitted]

Doje Cering spoke on the following five issues with regard to striving for total fulfillment of the seventh 5-year plan:



1. It is essential to put the development of the social productive forces in the primary position in all work.
2. It is essential to persevere in reforms and opening up.
3. It is essential to get a good grasp of economic construction, reforms, and opening up.
4. It is essential to build the two civilizations together.
5. It is essential to maintain a good style of honesty and incorruptibility in serving the people.

Doje Cering said: Only by developing the social productive forces and commodity economy can we give full scope to the superiority of socialism and continually enhance its attraction. And only by developing the social productive forces and commodity economy can we overcome the difficulties and contradictions facing us. Tibet directly entered socialist society from a feudal serf society. Its production relations are backward and the level of its productive forces low. The commodity economy is undeveloped, the economic foundation is weak, and living standards [words indistinct]. These conditions show that although Tibet has entered socialist society, the region remains at a low level in the initial stage of socialism. Today, when there are great discrepancies between economic construction in Tibet and in the interior of China, if we fail to give economic construction the primary position and strive hard to catch up, the discrepancies between the region and the interior will grow ever greater, it will be impossible for us to vigorously forge ahead with the other nationalities in the great family of the motherland, we will lack a material foundation for changing the poor and backward appearance of the region, and the prosperity of Tibet's economy and the invigoration of the Tibetans will just be empty talk.

Doje Cering said in conclusion: The people of all nationalities in Tibet should, guided by the spirit of the 13th National CPC Congress and the First Session of the Seventh NPC, unite still more closely, make arduous efforts to forge ahead, carry out reforms and innovations, strive for relatively great development in economic work, relatively rapid progress in all undertakings, and relatively sound progress in building the two civilizations, and make common efforts to speed up the building of a united, well-off, and civilized new socialist Tibet.

**Tibet's Doje Cering on Need for Economic Growth**  
*OW2507195688 Beijing XINHUA in English*  
1405 GMT 25 Jul 88

[Text] Lhasa, July 25 (XINHUA)—Tibet must give priority to economic growth particularly since its production is backward and economy underdeveloped, a senior Tibetan official says.

And a socialist economic system based on the public ownership and the political system based on the people's democratic dictatorship will be the way to achieve it, Doje

Cering, chairman of the Tibet Autonomous Regional Government, said at the First Session of the Fifth Tibet Regional People's Congress that opened here today.

He said that aid from other parts of China has enabled Tibet to make some notable achievements over the past five years. For example, capital construction during that period was equivalent to the total spent during the 1950-82 period.

There have been 43 interior-funded projects in all, including the asphaltting of the road between Tibet and neighboring Qinghai Province, an important link opening the region to the rest of the country.

Doje Cering noted the average income of Tibetan farmers and herders has risen at an annual rate of 14 percent since 1983.

He said the open policy has stimulated Tibet's tourist industry and its international economic and technological exchanges and cooperation.

"However," he said, "we must note Tibet has shifted directly from feudal serfdom to a socialist society."

He described Tibet's actual conditions as backward and underdeveloped.

"Compared with the rest of the country, and even with the areas inhabited by other minority nationalities, Tibet is still a good way behind," he said.

He stressed the need to develop a commodity economy.

Only under the leadership of the Chinese Communist Party, will Tibet be able to achieve economic prosperity and bring Tibetans a better life, he said.

**Tibet Adopts Laws Tailored to Needs**  
*OW2507211088 Beijing XINHUA in English*  
1458 GMT 25 Jul 88

[Text] Lhasa, July 25 (XINHUA)—The Tibet Autonomous Region is building up a legal system with laws specially tailored to its needs.

Since 1979 the regional people's congress has adopted 21 sets of local regulations and 14 resolutions specific to Tibet's unique social and economic life.

An official of the congress said that under China's Constitution, the regional congress can make regulations and rules specific to Tibet.

It can also adapt laws and regulations adopted by the National People's Congress to meet local needs and conditions, an important right for minority nationality people in self-governed areas.



For example, the regional people's congress adapted China's marriage law to make it more acceptable to Tibetans.

As a result, the once-common practice of polygamy and polyandry has been changed greatly.

Most young Tibetan farmers and herders register with local authorities before getting married.

The congress also adopted detailed rules governing the election of deputies to people's congresses at all levels to specify the ratio of deputies of Tibetan and other minority nationalities.

Under the rules, Tibetans residing abroad have the right to vote and to stand for office.

Last year, the regional people's congress Standing Committee adopted a resolution on using and studying the Tibetan language.

Later this year, it will adopt new regulations on the protection of cultural relics in Tibet.

The congress also adopted regulations to protect 6.3 million hectares of woodland with timber reserves estimated at 1.4 billion cubic meters.

Timber inspection stations have been set up on major roads to check unauthorized tree felling and timber transport.

Meanwhile, six nature reserves have been established to protect precious plants and animals. A forest police patrol will be set up soon in line with the regulations.

### North Region

**Beijing Man Convicted of Taking Bribes Executed**  
*OW2507112488 Beijing XINHUA in English*  
0433 GMT 25 Jul 88

[Text] Beijing, July 25 (XINHUA)—A 35-year-old man who received bribes totalling 120,000 yuan by taking advantage of his post was executed here today.

Qiao Yonghong was head of the tele-communication section of the wholesale department of the Beijing Communications and Electrical Company before he was arrested in September 1985.

In March 1987 he was given the death sentence by the Beijing Intermediate People's Court on charges of accepting bribes for his role in wholesaling color TV's to some work units.

According to the indictment, Qiao sold 200 color TV sets to a company and received bribes totalling 40,000 yuan in 1985. With the money, Qiao purchased gold, silver and jewelry and took up with a female companion.

Upon receiving the intermediate court's verdict, Qiao filed an appeal, but was rejected by the Beijing Higher People's Court in June 1987. China's Supreme People's Court ratified his death sentence in June this year.

According to a court official, though cases of economic crimes have gone down in the first half of this year in Beijing compared with the same period a year ago, felonies have been on the rise. Some criminals were former government and state employees who were sentenced on charges of having used their power illegally for profit.

Ren Jianxin, president of China's Supreme People's Court, told a national judicial conference earlier this month that the reform effort hinged to a large extent on whether the government made a success or failure of efforts to punish offences such as embezzlement, bribery, dereliction of duty and using power to blackmail for money.

He urged peoples courts at all levels to redouble their efforts to do a better job in dealing with economic criminal cases.

**Hebei Governor Speaks on Science, Technology**  
*SK2307131088 Shijiazhuang HEBEI RIBAO*  
in Chinese 26 Jun 88 p 1

["Excerpts" of speech by Yue Qifeng, governor of Hebei Province, at the provincial scientific and technological conference in Shijiazhuang on 24 June 1988: "Promote Scientific and Technological Progress and Accelerate Economic Development"]

[Text] The current provincial scientific and technological conference will play an important role in further implementing the development strategy of "revitalizing Hebei through science and technology," in deepening the scientific and technological structural reform, in promoting the close combination of science and technology with production, and in accelerating the pace of economic development. I would like to speak on three opinions.

First, To Accelerate the Province's Economic Development, We Must Pay Attention to Scientific and Technological Work [subhead]

Recently, in line with the disposition of the provincial party committee, the whole province, from top to bottom, has warmly discussed ways to learn from and catch up with Shandong and accelerate the pace of economic development. To develop the economy, we should depend on policy as well as science and technology. The 13th party congress set forth the demands of placing science and technology in the most important position of the economic development strategy and shifting economic construction into the orbit of depending on science and technology. This is an important policy decision which bears on the overall situation of the modernization drive. It should be affirmed that some achievements have been scored in the province's scientific and technological structural reform and scientific

and technological work. However, the pace of scientific and technological progress lags far behind the demands of economic construction and social development. A failure to boost scientific and technological work will cause the gaps between our economic development and Shandong's to become wider, not narrower. We must firmly depend on science and technology to accelerate the speed of economic development and improve economic efficiency.

Practice shows that we can actually tap great potential by depending on scientific and technological progress. In agriculture, including cropping, breeding, and forest and fruit growing, we can increase production by a large margin if we popularize the existing technologies that are commonly used. There is great potential to tap in industry in economizing on energy resources, curbing consumption of raw and semi-finished materials, raising the utilization rate of installations, and developing the deep processing of products. It should also be noted that many enterprises have caused serious waste due to poor management. If we strengthen management, we can create still better economic results based on the present installations. We should not only promote technological progress, but also strengthen scientific management in order to promote the development of productive forces.

It should be full noted that economic competition has increasingly become a competition in science and technology. If we want to join the front rank in competition, we must be more resolute and exert still greater efforts to accelerate scientific and technological development. In the past, we wasted much time and lost many opportunities. Now we must seize opportunities to catch up with others. Party committees and governments at all levels should earnestly study ways to boost scientific and technological work in line with the demand of this conference in order to make new scientific and technological progress. In grasping scientific and technological work, we should not stop with general calls, but should go into actual action. Leading comrades at all levels should personally grasp scientific and technological structural reform; introduce competition and the market mechanism; and make full, flexible, and good use of various policies to strengthen the vitality of scientific and technological work. They should also personally attend to mapping out plans for scientific and technological development and organize various departments to implement these plans in close cooperation in order to promote the local economic development. Meanwhile, they should personally organize the implementation of scientific and technological policies, appropriately solve some practical problems with regard to scientific and technological work, and create good conditions and a good environment for promoting scientific and technological progress.

Second, We Should Give Full Play to the Role of Scientific and Technological Personnel [subhead]

The province currently has a total of 340,000 scientific and technological personnel, of whom 12,000 are senior specialized scientists and technicians and 140,000 are middle-class specialized scientists and technicians. This is a valuable wealth of our province. In the past, we failed to give full play to the role of scientific and technological personnel. If we give full play to their role, the value they create will be considerably high. Being located around Beijing and Tianjin, our province enjoys exceptional advantages in having a huge tank of talents nearby. We should establish even closer economic and technological cooperative relations with scientific research institutes and institutions of higher learning in Beijing and Tianjin and attract a large number of talents to Hebei. This is one of the important meanings of the so-called slogan of serving Beijing and Tianjin, as well as benefiting from Beijing and Tianjin.

In order to give full play to the role of scientific and technological personnel, we should further relax controls over policies and further allow flexibility in management so that scientific and technological personnel can better exploit their intelligence and wisdom and fully display their ability. It should be noted that scientific and technological personnel must put in arduous work to create a scientific research achievement, to develop a new product, and to spread the application of a new technology; therefore, they should be given appropriate remuneration. During his recent inspection tour of Hebei, Comrade Li Peng emphatically pointed out that we should create a mechanism which bases remunerations of scientific and technological personnel on their research achievements as well as the benefits gained from their achievements. When their scientific and technological achievements have been transferred to productive forces, they should get a corresponding amount of remuneration. I think these remarks by Comrade Li Peng are very important and applicable to our province. We must conscientiously study and formulate appropriate policies to realize Comrade Li Peng's remarks. We should give excellent pay and bonuses to those scientific and technological personnel who have made outstanding contributions. In this regard, the current major problems are the practices of egalitarianism and jealousy. I have stressed many times that now that if we allow the existence of 10,000-yuan households among peasants, why should we prevent outstanding scientific and technological personnel from being 10,000-yuan households? Because the labor of scientific and technological personnel is very complicated, we cannot tell how much of a higher value can be created by a 10,000-yuan scientific and technological household than a 10,000-yuan peasant household. If a large number of 10,000-yuan households emerge among scientists and technicians, our economic development will certainly be accelerated and an even higher level will certainly be attained. In my opinion, the remunerations to scientific and technological contracting should be improved appropriately. By regarding technologies as funds, scientific and technological personnel should be allowed to use their technologies to invest in production units and then share a portion of



profits. The amount of awards to scientific and technological achievements should also be raised. It should also be allowed to set up special prizes, such as the "prize of revitalizing Hebei through science and technology." Scientific and technological personnel who have made outstanding contributions should not only receive material awards, but should also be given a record of merit, be appraised as model worker, or be given honorable titles. In drawing talents from Beijing, Tianjin, and other provinces, we should reduce restrictions on policies to an extent large enough to truly draw the talents we need. In line with this guideline, all localities should work out specific regulations for this work and earnestly implement these regulations. To summarize: In order to promote scientific and technological progress and economic development, we must make full, flexible, and good use of policies concerning scientific and technological personnel. I want to reiterate that those policies which have already been formulated should only be spread, not withdrawn; should only be pushed forward, not moved back; and should only be relaxed, not tightened up. The policies formulated by the provincial authorities must be honored; and the provincial authorities should give firm support to the policies formulated by the localities so long as these policies are conducive to mobilizing the initiative of scientific and technological personnel, to drawing scientific and technological personnel of other provinces and municipalities, and to expanding productive forces.

### Third, We Should Rapidly Spread the Application of Scientific and Technological Achievements [subhead]

Spreading the application of scientific and technological achievements is a major way to transfer science and technology to direct productive forces, to combine science and technology with the economy, and to promote the expansion of productive forces. Over the past few years, we have done much work and had some success in spreading the application of scientific and technological achievements. However, many scientific and technological achievements have not yet been popularized. Our current problem is that on the one hand our technologies are backward, the quality of our products is low, and economic returns are poor, all of which need science and technology. On the other hand, however, a large number of scientific and technological achievements are pigeonholed and cannot play their role in production. This is a serious waste. We must strengthen the popularization and application of scientific and technological achievements; rapidly collect and select a number of scientific and technological achievements that suit local demands; work out specific plans for popularizing and applying these achievements; define the content, scale, and demand of popularization; bring the plans for popularizing and applying scientific and technological achievements into line with the overall economic development plan; assign these plans to pertinent departments and units for implementation; and strive to yield obvious results as quickly as possible.

All localities have studied and explored some new ways to accelerate the popularization and application of scientific and technological achievements in rural areas. Organizing scientific research institutes, institutions of higher learning, large and medium-sized enterprises, and scientific and technological personnel of party and government organs to go to town and township enterprises to conduct technological contracting in a planned manner is a successful experience. This year, among agricultural departments at the provincial, prefectural and county levels alone, about 5,400 scientific and technological personnel have gone to the rural areas to conduct technological contracting, with the contracted farmland reaching 16 million mu. At the same time, new progress has been made in the form, content, and scale of contracts. All localities should conscientiously sum up new experiences and study ways to solve new problems in order to push forward scientific and technological contracting.

Another successful experience in popularizing scientific and technological achievements in agriculture is to develop a socialized technological service network. The first specific form is: Through reform, county-level administration departments should separate administrative affairs from technological affairs, separate administrative affairs from institutional affairs, strengthen the service function, and build technological service organizations into economic and technological entities which independently manage their own affairs. Some counties in our province have already found some experiences in this respect, and have gained relatively good results. It is hoped that economic departments of various counties will earnestly study and popularize these successful experiences and establish technology-industry-trade and technology-agriculture-trade integrated systems which are headed by county-level functional departments and local key enterprises. The second specific form is to grasp the building of technological service organizations in various towns and townships. Throughout the province, there are more than 27,000 scientific and technological personnel, who have become an important force for directly serving the peasants. Livestock stations, agro-technological stations, and farm machinery stations in towns and townships should be encouraged to gradually build themselves into economic entities and to strengthen the ability to expand themselves by "strengthening management around popularization of scientific and technological achievements and promoting the popularization of these achievements with improved management." The third specific form is to encourage and support exemplary scientific and technological households and technological talents in rural areas to initiate technological service stations, technological research institutes, technological stations, technological associations, and other technological development and service organizations which are run, managed, and utilized by the local people. We should gradually create a new situation in rural areas in which the state, collectives, and individuals make concerted efforts to initiate scientific and technological undertakings. The fourth specific form is to vigorously conduct technological training for peasants. The training should be directed at graduates of



junior and senior middle schools as well as demobilized soldiers in rural areas so that they can master one or two practical techniques, and then to promote and bring about an improvement in scientific and technological expertise of the vast number of peasants.

In intensifying the popularization and application of scientific and technological achievements in urban areas, the key task is to increase the incentive of enterprises to apply scientific and technological achievements, to make them feel the pressure to do so, and to instill in them a greater vitality. We should establish a system of appraising and fixing targets for technological progress and should list technological progress targets, such as technological transformations, renewal of products, improvement of product quality, and curtailing of consumption, as an important content for appraising enterprises' implementation of the contract managerial responsibility system and for considering a grade-increase to enterprises. At the same time, the enterprises' total payroll should be based on the fulfillment of these targets, and the fulfillment of these targets should be regarded as one of the criteria for appraising the performance of enterprise managers. In addition, we should establish scientific and technological development organs on an individual and integrated basis. Both urban and rural areas should work out policies to encourage the popularization and application of scientific and technological achievements. Material awards should be given to scientific and technological personnel who have scored obvious achievements in popularizing scientific and technological achievements, and honorable titles should be imposed on those who have made outstanding contributions. All localities may set up a technological popularization prize. In appraising the title of the people who engage in popularizing scientific and technological achievements, we should not merely see their theses and diplomas, but should mainly see their technological expertise and the social and economic results created by them. The vast number of scientific and technological personnel should be encouraged to positively popularize existing scientific and technological achievements in order to effect a new progress in the province's industry and agriculture.

**Inner Mongolia Holds Border Defense Meeting**  
*SK2407092288 Hohhot Inner Mongolia Regional Service in Mandarin 1030 GMT 23 Jul 88*

[Text] The Inner Mongolia Autonomous Regional Military District held an on-the-spot meeting on building border defenses from 18 to 20 July. At the meeting, the autonomous regional Military District organized more than 100 representatives from border defense PLA units stationed along the 8,000-meter frontline border to view pilot work undertaken by a certain PLA regiment in regularizing the armed forces.

During the meeting, participants studied and discussed how to further do a good job in enhancing border defenses under the new situation of conducting reform

and opening to the outside world and were determined to build PLA border units into units that comprise a window that displays state and military power.

Attending the meeting were Li Laizhu, deputy commander of the Beijing Military Region; Li Guibin, commander of the Inner Mongolia Autonomous Regional Military District; and (Yang Enbo), political commissar of the autonomous regional Military District.

During the meeting, participating representatives unanimously contended that under the current new circumstances of continuously deepening the drive to conduct reform and opening to the outside world, a good job should be done in emphatically grasping the following six tasks to truly build PLA border units into the glorious representation of the people's armed forces, into models for defending the frontline border, and into a window that displays state and military power:

1. Efforts should be made to unswervingly put defending border areas on the main schedule.
2. Efforts should be made to clearly discern that the capability of making border areas strong and consolidating border defenses satisfactorily represents a fundamental criterion in measuring and testing the overall achievements scored in building PLA border units.
3. With regard to enhancing the commodity economy, efforts should be made to conduct ideological education on ardently loving border areas, building them, and defending them; and to enable commanders and fighters to further enhance their glorious sense of mission in defending the country's frontiers.
4. Efforts should be made to conduct reform in the duties of border defense and management over border areas and to enhance joint operations among the army, police, and civilians in construction to enable the operation to be an integrated force for border management.
5. Efforts should be made to bring into play the role of overall education on making border areas strong and consolidating border defense satisfactorily.
6. Efforts should be made to extensively carry out activities related to building advanced border defense and construction units.

During the meeting, Li Guibin and (Yang Enbo), on behalf of the autonomous regional Military District's party committee, delivered speeches in which they urged the broad masses of commanders and fighters of PLA border units to heighten their spirit, to unite as one, to wage arduous struggle, and to conduct their work in a down-to-earth manner to make new contributions to the people.

**Li Ruihuan at Tianjin Forum on Industry**  
*SK2307121288 Tianjin City Service in Mandarin*  
*2200 GMT 21 Jul 88*

[Text] The municipality held a forum of directors and party secretaries of industrial departments from 19 to 21 July. Li Ruihuan, secretary of the municipal party committee and municipal mayor, attended to hear reports and give an important speech. Nie Bichu, Zhang Lichang, and Li Zhendong, municipal vice mayors; Han Enjia, adviser to the municipal government; and Fang Fengyou, secretary general of the municipal government, were present during the entire forum. They discussed the production situation with the participants, studied ways to further deepen reform and improve economic results, and worked out the tasks for this year.

The forum noted: Under the leadership of the municipal party committee and government, the masses of staff members and workers of industrial departments have overcome the shortage of raw materials, funds, foreign exchange, and energy resources and have maintained a good trend of coordinated and stable development in production since the beginning of this year. In the first half of this year, the municipality created 17.524 billion yuan in industrial output value, an increase of 7.1 percent over the corresponding period last year.

Readily marketable but undersupplied products have increased, and product quality has improved continuously. Some technical transformation and technology import projects have gone into operation, and their investment is yielding returns. Thanks to efforts to deepen enterprise reform, readjust product mix, and rely on technological progress, enterprises have increased their capacity for developing and renovating themselves. The operation of the industrial economy is basically normal, and major economic indexes have reached or surpassed the planned requirements.

The forum stressed: Leading cadres and the masses of staff members and workers of industrial departments throughout the municipality should continue to emancipate their minds and pay attention to the development of the socialist commodity economy. In the process of implementing the guidelines of the 13th party congress, they should conduct explorations bravely and carry out their work creatively. They should formulate ways to eliminate unfavorable factors; organize well the industrial production in the second half of this year; maintain a reasonable growth rate; and ensure that annual production, profit and tax delivery tasks, and the export task are fulfilled.

The forum pointed out: Deepened enterprise reform is an important guarantee for fulfilling annual tasks. Industrial departments should institute and improve the contracted managerial responsibility system, grant enterprises both profit and power, and give them both encouragement and pressure. They should comprehensively develop various undertakings, with the focus on

one; expand the production sphere of enterprises; increase their business channels; and achieve the optimum organization of labor in enterprises to increase their competitive edge.

They should rely on technological progress and technical transformation and pay close attention to putting technical transformation projects into operation.

Meanwhile, they should increase input into [words indistinct], and make arrangements for new technological [words indistinct]. They should exercise advanced and strict management and combine the (?contracted managerial responsibility system) with scientific management so as to attain the purpose of tapping potential and improving economic results.

The forum urged: Industrial departments should conscientiously implement the guidelines of this forum, put reform at the center of all their undertakings, analyze and resolve current difficulties in a realistic manner, [passage indistinct] and strive to improve economic results.

Responsible comrades of [words indistinct] (?attended and addressed) the forum.

**Tianjin's Li Ruihuan Inspects Food Stores**  
*SK2507073188 Tianjin TIANJIN RIBAO*  
*in Chinese 2 Jul 88, p 1*

[Excerpt] On 1 July, the prices of meat, eggs, vegetables, and sugar were adjusted on schedule. Leading municipal comrades Li Ruihuan, Tan Shaowen, Nie Bichu, Zhang Lichang, and others braved the rain to go to various nonstaple food stores in four different directions to inspect the market supplies.

At the nonstaple food stores, which began business in early morning, the shelves were filled with goods, customers bustled about, and purchases and sales were conducted in a normal and thriving atmosphere. Li Ruihuan came to a nonstaple food store on Chongqing Road, and was very pleased to see the shelves filled with fresh eggs. He asked: "Have the prices been adjusted?" "Yes, they have. The remaining part, which should have been sold in June, will be sold at the original prices, and the amount that should be sold in July will be sold at the adjusted prices." "Did customers queue up to buy the goods?" "Yes, they did yesterday. However, they no longer queued up after they discovered that the remaining amount of the meat, eggs, sugar that should have been sold in June will be sold at the original prices until 10 July," answered the clerk to the mayor.

Li Ruihuan went to a meat counter of a nonstaple food store in Yueyang Road, where an old grandmother was buying meat. Li Ruihuan asked her: "Why did you not come to buy yesterday, knowing that the prices would be raised?" This grandmother answered without thinking:



"I buy whenever I need to have fresh meat to eat. Why should I rush to buy just to save one yuan or so?" Her reply made the leading municipal comrades and masses present at the scene laugh.

In front of the Yongmao nonstaple food store in Xihu Village, Li Ruihuan had a chat with two housewives. "Now that the prices are raised today, do you have any complaints?" "No. The prices are adjusted, but the government will also give subsidies. If we want to have more of these goods, we will pay more for them." Hearing this, Li Ruihuan said promptly: "Thank you for your assistance. With the understanding of the people throughout the municipality, we will have more confidence in making the price reform successful."

At a grain and oil store on Anshan Road in the village of Xihu, Li Ruihuan asked about the price of the oil to be sold at the negotiated price: "Has the price been adjusted?" The clerk answered: "No. It is sold at the original price—1.82 yuan." "How was business yesterday?" "People queued up to buy yesterday, but they no longer do today." Li Ruihuan said humorously: "The people rushed to buy in vain!" Li Ruihuan also praised the store for not raising prices and for conscientiously implementing the price policy. [passage omitted]

### Northeast Region

**Jilin's He Zhukang at Trade Union Congress**  
SK2307085488 Changchun Jilin Provincial Service  
in Mandarin 2100 GMT 16 Jul 88

[Excerpts] [Begin recording] [Unidentified master of ceremonies] Fellow delegates and comrades: The Eighth Congress of the Jilin Provincial Trade Union Council is now declared open. [Passage omitted]

The quota of congress delegates is 500 persons. Some 469 delegates are present at today's opening ceremony, and 31 delegates are absent because of sickness or official reasons. Seventy-six persons were specially invited to the congress and are attending as observers. Attending the opening ceremony of the congress are leading comrades, including Comrade He Zhukang, secretary of the provincial party committee and governor of the province; Comrade Du Qinglin, deputy secretary of the provincial party committee; Comrade Zhang Fengqi, chairman of the provincial Advisory Commission; Comrade Xiao Chun, vice chairman of the provincial Advisory Commission; Comrade Huo Mingguang, chairman of the provincial people's congress; Comrade Liu Xilin, provincial vice governor; Comrade Liu Yunzhao, chairman of the provincial CPPCC Committee; Comrade Li Deming, secretary of the provincial Discipline Inspection Commission; Comrade (Xu Xiuhuan), political commissar of the provincial Military District; and Comrade Dong Xin and (Wang Mingbo), veteran leaders of the provincial trade union council who scored great achievements in the workers' movement. [passage omitted]

Major items on the congress's agenda are to hear and discuss the work report of the Seventh Committee of the Jilin Provincial Trade Union Council, the financial report of the provincial Trade Union Council, and the work report of the Economic Examination Committee and to elect the Eighth Committee of the Jilin Provincial Trade Union Council, the Economic Examination Committee under the provincial Trade Union Council, and the province's delegates to the 11th National Trade Union Congress.

We would now like to ask Comrade He Zhukang, secretary of the provincial party committee and governor of the province, to make a speech.

[He Zhukang] Fellow delegates and comrades: Under the new situation in which the people throughout the province are implementing the spirit of the 13th CPC Congress and achieving a turn for better in social morale and order, the 8th congress of the Jilin Provincial Trade Union Council is ceremoniously opened today. On behalf of the provincial party committee and the provincial people's government, I would like to extend warm congratulations on the occasion. [end recording]

In his speech, He Zhukang, secretary of the provincial party committee, fully acknowledged the achievements scored by the provincial Trade Union Council over the past 5 years. On behalf of the provincial party committee, he put forward hopes for staff members and workers throughout the province.

[Begin recording] [He Zhukang] It is the provincial party committee's hope that the broad masses of staff members and workers throughout the province display their utmost political enthusiasm in engaging in political and economic reforms, which represent the powerful motive strength of enhancing the productive force and achieving socialist social development, the common (?target) of the working class and the people as a whole, and the key to (?reinforcing practical strength and promoting willpower and spirit).

The broad masses of working class should, in line with the guiding principles and [words indistinct], actively unify immediate and far-reaching interest, partial and whole interests, and individual and collective interests. In replacing the old systems with the new, the working class should actively promote the establishment and improvement of new systems. In conducting reform and carrying out (?economic construction), they must enhance their sense of being masters of the country in assuming responsibility, resolutely support the policy decisions made by the party and the government, resolutely safeguard social stability and unity, and create a favorable climate for accelerating and deepening the drive to conduct reforms. This is the concrete (?standard) for the working class in the new historic period in which they should understand the times, have ideals, and be well disciplined. [end recording]



In his speech He Zhukang continued: The broad masses of staff members and workers throughout the province should actively carry to the labor emulation drive in line with the principle of developing the socialist commodity economy and should honestly engage in labor work to create much social property. They should further enhance their sense of democracy and the legal system, actively join in democratic management, take the lead in fostering new morality and social morale, strengthen the enforcement of labor discipline, play an active role in building the spiritual civilization, and set examples in building the spiritual civilization. The broad masses of staff members and workers throughout the province should make efforts to study the knowledge of science and culture to enhance their capability. [passage omitted]

During the opening ceremony, congratulatory speeches were also delivered by Li Shuwen on behalf of the provincial CYL Committee and the provincial Women's Federation, and by (Xin Xia), on behalf of the provincial Scientific and Technological Association, the provincial Social Science Federation, the provincial Literary and Art Federation, and the provincial Overseas Chinese Federation.

**Liaoning City Seeks Foreign Cooperation**  
*HK2507130788 Beijing CEI Database in English*  
25 Jul 88

[Text] Shenyang (CEI)—Yingkou City in northeast China's Liaoning Province plans to cooperate with foreign firms in ten major sectors, said Zhao Xinliang, mayor of the city.

These include exploitation of marine resources, offshore breeding, reclamation of barren hills and wasteland, development of local products and animal by-products for export, exploitation and processing of mineral products, port construction, organization of fleets, production and processing of sea salt and salt chemical industry, production of fruits and canned food; construction of a holiday resort on the Xianren Island in Xiongyue, knitting, printing and dyeing, garment making, manufacture of musical instruments, household electrical appliances, paper products, foodstuff, beverage, handicraft articles for export, machine building, electronics industry, and export of machinery and electrical appliances.

Yingkou is one of the 15 major coastal cities in China. It covers an area of 5,400 square kilometers with a population of 2 million. It will implement preferential policies stipulated by the state in opening to the outside world.

**Northwest Region**

**Qinghai Governor Outlines Forthcoming Tasks**  
*HK2407021788 Xining Qinghai Provincial Service*  
in Mandarin 1400 GMT 23 Jul 88

[Excerpts] Governor Song Ruixiang pointed out at the provincial government's third plenary meeting this morning that in the 2d half of the year the government

must concentrate efforts on expanding opening up to the world, managing agricultural and animal husbandry production, deepening enterprise and price reforms, expanding foreign trade, raising capital, and so on.

Song Ruixiang said that the province's economic situation in the 1st half of the year was better than expected, and the province basically succeeded in fulfilling over half of the year's quotas by the end of June. On the tasks for the 2d half of the year, he pointed out that it is necessary to make efforts in three respects in further expanding opening up to the world: 1) Establish the concept of the strong points of commodity economy; 2) Seriously study the central policies and carry them out in a creative way in conjunction with Qinghai's characteristics as a multinationality area; 3) [words indistinct]. [passage omitted]

Song Hanliang said that it is necessary to speed up the pace of enterprise contracting in the 2d half of the year. All state-owned industrial and communications enterprises covered by the provincial budget must institute the contracted management system by yearend. [passage omitted]

On price reforms, Song Ruixiang pointed out that the key to stabilizing prices lies in doing a good job in supplying commodities for the markets. In the 2d half of the year, starting by deepening the reforms, the province must make great efforts to develop production, enliven circulation, guide consumption, and improve market management. We must actively develop agricultural and sideline production, especially in vegetables, pigs, poultry, eggs, milk, and so on. We must greatly develop output of daily necessities produced by industry and develop extensive sources of supply for the markets. [passage omitted]

We must persist in regarding the development of social productive forces, together with the focal points of the masses' concern, as the focal points of our work, and assign developing the economy and improving living standards important positions on the government work agenda. We must make government work more visible and public, ensure that the people know about major situations, and consult with the masses on major issues.

During the meeting, Vice Governor Bainma Danzing reported on the main points of the speeches given by Comrades Li Tieying and Song Jian during their inspections of work in Qinghai. (Wang Dingyu), director of the provincial public security department, relayed the spirit of the national conference of public security department and bureau chiefs.

**Commentary on Taiwan Mainland Policy**  
HK2307030088 Beijing ZHONGGUO XINWEN  
SHE in Chinese 1323 GMT 17 Jul 88

[Commentary by ZXS Reporter: "A Look From Both Sides at the "Three Communications" and "Three No's" Policies"]

[Text] Beijing, 17 Jul (ZHONGGUO XINWEN SHE)—The mainland advocates "three communications" while Taiwan favors "three no's." These two antagonistic and contradictory policies have become the basic policy of the mainland and Taiwan separately on the issue of reunification.

People clearly remember that on New Year's Day of 1979, the mainland issued a "Message to the Compatriots in Taiwan" and later on it put forth "Nine Proposals" and "a Six-Point Plan" one after the other, clearly expounding its stand, views, and measures and ways on the reunification of the motherland and suggesting that "three communications" be encouraged: in the nongovernmental sector; that the two parties hold meetings at an equal footing; that a third cooperation between the KMT and the Communist Party be realized, and a "one country, two systems" principle be applied after reunification is achieved. Several mainland leaders have repeatedly stressed that neither should swallow up the other and "let us jointly complete the great reunification cause of the nation hand in hand" and welcome Taiwan leaders at all levels to return to the mainland or to their home towns for a look. At the same time, the mainland has stopped bombing Chinmen, Machu, and other isles. These numerous messages and actions have provided a prerequisite for and laid a foundation for easing up tensions on both sides of the strait. On the part of Taiwan, in a counter to the mainland's policies listed above, the authorities first adopted a "three no's" policy (no contacts, no negotiations, and no compromises) and then raised the slogan "Reunifying China with the Three Principles of the People." Moreover, they vilified the mainland's statements and actions as "a smiling-face policy" and "united-front tricks."

With a review of past events in nearly a decade, we would ask which policy has won popular support in its implementation, the policy of "three communications" or "three no's?" Which of the two goes against the will of the people, which goes along with the general trend, and which goes against the requirements of the times? It is time to make a comparison between the two. We can say with certainty that at present, although exchanges on both sides of the strait are still conducted in a "one-way, nongovernmental, and indirect" way or on a lower level, "communication" is the mainstream of events and, moreover, it is expanding extensively and intensively. The momentum of different forms and scales of contacts in such areas as relative visits, travel, trade, culture and sports, and academic events is irresistible. This has proved that "communication" is the trend of the times and the desire of the people.

Policy is the guarantee of and standards for actions. In judging the soundness of a policy, we should see how rational the policy is in itself and also see on what intentions and from what starting point the policy is worked out and what results it has produced. In formulating a series of "policies toward Taiwan," among other things, the mainland cast aside politically conflicting ideas and old grievances and with the interests of the nation, the state, and the people in mind, planned to first encourage "three communications" so as to clear up estrangement, to exchange information, to learn from others' strong points to offset one's weaknesses, to share each other's feelings and then to gradually promote the peaceful reunification of the motherland. However, the Taiwan authorities adopted a "three no's" policy out of fear of "being at a disadvantage or taken in," "the loss of popular support" and of "becoming a local government." This "fear" out of prejudiced and shortsighted considerations is, in the final analysis, the result of attaching too much importance to the "selfish" interests of a party or a faction.

However, there is no denying that Taiwan's "policy toward the mainland" has gradually moved from the stance of "meeting changes with constancy" to a liberal, "elastic" practice. This shows the policy is undergoing a change. The lifting of martial law, the relaxation of restrictions on relative visits, and the endorsement of indirect trade and communication by letter can be considered a "response" to the mainland. Such a "response," though made under pressure from various sectors, is in compliance with the desire of people inside and outside the island for novelty, change, and for communication. True, the division and getting-together of a state or a nation is caused by internal laws and external elements, but the important role of the policy measures of a party in office in controlling the trend of events should not be underestimated. Today if this side of the strait did not express its desire for "a peaceful reunification" and if the other side did not take some "elastic" measures, the situation of the strait would without doubt hardly be so tranquil.

However, the crucial problem is that Taiwan's present "policy toward the mainland" has hindered the development of the situation on both sides of the strait. People have demanded that so-called arguments which are far-fetched and full of contradictions be discarded, such as "while communication by letter is allowed, we should ensure there must be no communication through mail; while communication in goods is allowed, there must be no communication through trade, and while relative visits are allowed, there must be no communication through transport" and that "we are divided but not separated; we favor peace but reject peace talks; and we are for reunification but do not want to become one entity" and demanded to practice a series of "completely new", "direct, two-way, and official" policies toward the mainland. Inside and outside the sessions of the 13th KMT Congress, more and more people demanded "an overall revision of the policy toward the mainland."



People criticized the "three no's" policy as "an ostrich policy," "not being in compliance with the general trend," "being inconsistent with the will of the people," and "being at variance with reality." However, more disappointing is that the "policy toward the mainland" adopted by the 13th KMT Congress continued to cling to the "three no's" policy, and there are no indications for greater openness. It is indeed a vain effort to argue that "the party's policy decisions should conform to the trend of the times and promptly reflect the wish of the masses of the people."

By making a comparison between the "three communications" and "three no's," we mean summing up experience and drawing lessons in the hope that people in authority on both sides of the strait will comply with the general trend and make concerted efforts to seek a sound strategy for the peaceful reunification of the motherland instead of deciding the victor or the winner of the two.

**Taiwan To Import Mainland Raw Materials**  
OW2407011788 Beijing XINHUA Domestic Service  
in Chinese 1453 GMT 21 Jul 88

[Text] Hong Kong, 21 Jul (XINHUA)—News from Taipei: On 20 July the "Board of Foreign Trade" (BOFT) of Taiwan's "Ministry of Economic Affairs (MOEA)," together with the representatives of relevant departments and businesses, drafted "Guidelines Governing Indirect Import of Mainland Products" and published a list of 50 kinds of raw materials, including coal and cotton, eligible for indirect import from the mainland. The drafted guidelines will be enforced after they are "submitted to and approved by the MOEA."

The six-point guidelines stipulate: Three conditions must be met before agricultural or industrial raw materials produced on the mainland can qualify for indirect import. The three conditions are: "The materials to be imported must not endanger the national security; they must have no adverse effects on related industries in Taiwan; and they are conducive to raising Taiwan products' export competitiveness." The "BOFT" will solicit the views of the relevant organizations and business groups and obtain the approval of the "MOEA" for indirect import of the raw materials. Manufacturers and companies may, in light of their needs and through their trade associations, propose to the "BOFT" to revise, from time to time, the list of agricultural and industrial raw materials produced on the mainland eligible for indirect import so that those that are not on the list may

be included. The raw materials must be imported indirectly. Manufacturers and companies wishing to import listed raw materials will apply to the "BOFT" in accordance with the normal procedures to obtain import certification. If the import is less than the amount required for certification, the imported raw materials may go through customs without prior certification. The words "made in the mainland" will be noted on the import license and other documents; however, marks of mainland products appearing on the original packages will be removed. The "BOFT" will publish statistics on certified imports and other information on a regular basis.

The announced list of raw materials eligible for import from the mainland includes the 30 items published by the "Lihsing Group" of Taiwan's "Executive Yuan" at the end of 1987 and 20 additional items. The 20 additional items are coal, pig iron, scrap steel and iron, aluminum ingots, tin ingots, unforged electrolyzed copper, kaolin, talcum, natural rubber, raw hide [shi lan pi 3440 5663 4122], raw cotton, tea seeds [cha zi 5420 1311], natural silk, raw silk, waste silk, wool, rare-earth minerals, synthetic camphor, natural camphor, whetstone raw materials (silicon carbide, magnesium oxide, and aluminum oxide), pulp making raw materials (including wood chips), and paper-making pulp, yellow phosphorus, and tung oil.

Hsiao Wan-chang, "director" of Taiwan's "BOFT", yesterday indicated that when imports from the mainland reaches a certain market share, the "BOFT" will advise the relevant trade associations to be on their guard.

**Taiwan Prosecutes Mainland Airliner Hijackers**  
OW2407080388 Beijing XINHUA Domestic Service  
in Chinese 0719 GMT 20 Jul 88

[Text] Hong Kong, 20 Jul (XINHUA)—According to a report by Taiwan's CNA, Zhang Qingguo and Long Guiyun, who hijacked an airliner from Xiamen to Taiwan, were prosecuted on 19 July by the Taipei magistrate court for breaking the civil aviation law.

The indictment said: On 10 May 1988, the two defendants forced the captain of a civil airliner, which was on its way from Xiamen to Guangzhou, to steer the plane to Taichung and land it on Ching Chuan Kang. However, in explaining its indictment, the bill of indictment pleaded for the two offenders, saying that the two had no previous criminal records and surrendered themselves to the authorities concerned, therefore punishment for them should be reduced to 1 year and 9 months in prison and 2 years' probation.



**Radio Commentary on Mainland Students' Arrest**  
*OW2607084588 Taipei International Service*  
*in English 0200 GMT 26 Jul 88*

[Station commentary: "Peking Orders Arrest of Students"]

[Text] The yo-yo of freedom of speech on the campus of Peking University has once again been jerked back. After an early summer's relaxation of controls, during which students held self-sponsored open-air discussions on campus, the Communist authorities have decided it's time for a crackdown, again.

As usual, the directive comes from higher ups in the Chinese Communist leadership. The Communist Party has ordered police to locate and arrest the students who have been behind the organizational efforts for such gatherings. Police have also been told to be on the lookout for students and others who try to form opposition groups.

Police have already rounded up two university students suspected of organizing an open-air discussion attended by the U.S. Ambassador Winston Lord. The students were also expelled.

In mid-July, the Communist Party Committee that oversees the university's affairs ordered a crackdown on campus activists, following a series of democracy demonstrations. The party directive at the time said that those who should be expelled must be expelled, those who should be apprehended must be apprehended, and those who should be punished must be punished. According to a UPI report this week, the Communist Party has branded the student agitation as anti-reform and counterrevolutionary.

The anti-reform charge is merely an attempt by the Communists to deflect public sympathy away from the students. The students are far from being anti-reform; in fact, students are for an overhaul of the mainland's economic and political systems. But the Chinese Communists know that if they can portray the students as anti-reform, it will indeed turn the reform-hungry public against them.

The counterrevolutionary charge is much more complex, and much more dangerous for the students. In Communist China, as well as other Communist societies, the term counterrevolutionary is reserved for opponents of the Communist Party. Any act which goes against Communist authority is termed counterrevolutionary. This is the main tool for Communist suppression of dissent.

In Communist China, counterrevolutionary activities carry the death penalty. This Communist outlet for the suppression and elimination of dissident or opposition views has been used countless millions of times, just for the sake of propping up Communist Party supremacy.

Party documents issued at the July meeting charge that students are becoming more counterrevolutionary—meaning more opposed to the Communist Party. The document also charges that the activities of the students are associated with Fang Li-chih, the physicist who is known as the Sakharov of China, because of his leading voice in dissident circles.

The meeting also concluded that Peking University should become a model for the suppression of student activities. But the students may have other ideas. They are becoming more and more intolerant of Peking's yo-yo tactic of drawing dissent out into the open, only to suppress those who dared take advantage of the looser strings attached to freedom of speech. This Communist tactic is wearing the students' patience thin, so much so that mass protests are on the verge of breaking out any time.

**President Li Tang-hui Installs New Cabinet**  
*OW2607002288 Taipei CNA in English*  
*1442 GMT 25 Jul 88*

[Text] Taipei, July 25 (CNA)—President Li Teng-hui Monday presided over an oath-taking ceremony at the Presidential Office at which 14 of the 15 new cabinet members he appointed in a major cabinet reshuffle last Thursday were sworn in.

President Li appeared at 10 am, accompanied by Shen Chang-huan, secretary general to the president, and Gen. Kuo Ju-lin, personal chief of staff to the president.

The 14 new cabinet members were: Vice Premier Shih Chi-yang; Ministers of State Wang You-tsao, Huang Kun-hui, and Shen Chun-shan; Interior Minister Hsu Shui-teh, Foreign Minister Lien Chan, Finance Minister Ms. Shirley Kuo, Economics Minister Chen Li-an, Justice Minister Hsiao Tien-tzang, Hsia Han-min, chairman of the National Science Council; Ma Ying-jeou, chairman of the Research, Development, and Evaluation Commission; Yu Yu-hsien, chairman of the Council of Agriculture; Kuo Wei-fan, chairman of the Council for Cultural Planning and Development; and Robert C. Chien, secretary general of the Executive Yuan.

In a solemn mood, they and newly appointed Taipei Mayor Wu Poh-hsiung, who took his oath with them simultaneously, swore before the national flag, the statue of the nation's founding father, Dr. Sun Yat-sen, and President Li that they would strictly abide by the laws, be loyal to their duties and do their utmost to serve the nation.

Fredrick F. Chien, chairman of the Council for Economic Planning and Development, will take his oath at another date because he was in the United States.

**Foreign Minister Looks to New Diplomacy**  
*OW2607042288 Taipei CNA in English*  
0249 GMT 26 Jul 88

[Excerpts] Taipei, July 26 (CNA)—Foreign Minister Lien Chan said Monday that the Republic of China [ROC] from now on will be more practical, flexible, and forward-looking as it works to enhance its substantive foreign relations and to make eventual breakthroughs on the diplomatic front.

Reporting at the 1988 National Development Seminar, the newly appointed foreign minister pointed out that the ROC's international status does not correctly reflect the Republic of China's might as evidenced by its population, military strength, and economic power.

The ROC's strategic position in the Asian-Pacific region, its predicted U.S. \$100 billion foreign trade this year, and the political reforms launched in recent years are all advantages the ROC can use in opening new diplomatic horizons, Lien said. [passage omitted]

He warned the ROC people not to relax their vigilance against the Chinese Communists, who have been doing everything possible to undermine the ROC's foreign relations, downgrade its international status, and isolate the nation in the world arena.

Although the Peiping regime also says it is instituting reforms, it is not likely to give up its one-party dictatorship and totalitarian rule, he said.

**Leaders Speak at 'Captive National Week' Rally**

**Yu Rejects '4-Insistences'**  
*OW2307044688 Taipei CNA in English*  
0258 GMT 23 Jul 88

[Text] Taipei, July 23 (CNA)—The Chinese Communist regime should immediately forsake its policy of "four insistences," discard its attitude of treating the people as enemies and return to the bosom of the three principles of the people, Premier Yu Kuo-hua said Friday.

Premier Yu spoke to a rally marking the 1988 "Captive Nations Week" being held in Taipei July 17-23. More than 30 foreign dignitaries, including anti-communist leaders, parliamentarians, political party leaders, scholars and mass media representatives, have been invited to the activities.

After 40 years of hard struggle and with the joint efforts of 20 million people, the Republic of China [ROC] has begun to reap bountiful harvests, Yu said. "Today, the ROC is not only an economic and trade power, it's also a show window of democracy, a model of modernization aspired to by developing nations as well as the paradise hoped for by the Chinese on the mainland."

The ROC's immediate aim is to "overthrow the Chinese Communist regime to enable one billion Chinese compatriots enjoy democracy and freedom." Its ultimate goal is to eliminate communism from the globe to ensure that all human beings may live without deprivation and terror, Yu noted.

"At this juncture, when the Chinese Communist regime is being challenged and refuted by people at home and abroad," Yu said, "the people of the free world should not adopt any policy favorable to that regime but should support the Chinese people to topple that illegal regime so as to rescue and free the captive nations of the world."

Also addressing the rally, Clement C.P. Chang, chairman of the meeting, called for developing "a global anti-communist strategy to reconstruct world order to effectively unite all forces of freedom and democracy to support within the communist camp anti-slavement and anti-tyrannical struggle and to accelerate the collapse of communism and enhance stability and prosperity of all the people of the world."

Also speaking during the rally were Ernest [name indistinct], a member of the U.S. House of Representatives; Lev E. Dobriansky, chairman of the U.S. National Captive Nations Committee; and Bruce Goodluck, member of the Australian House of Representatives.

**Need To 'Vanquish Communism'**  
*OW2307023088 Taipei CNA in English*  
1545 GMT 22 Jul 88

[Excerpt] Taipei, July 22 (CNA)—President Li Teng-hui Friday called on the free world to unite more closely in striving to vanquish communism in order to free the people living under tyranny in captive nations.

The Chinese president made his appeal [words indistinct] of more than 30 foreign guests who are in Taipei for Captive Nation Week activities. Li also welcomed the anti-communist leaders for coming from afar to take part in the annual activities in the Republic of China [ROC].

Li bluntly criticized communism, saying that the political totalitarianism and economic backwardness on the Chinese mainland, as well as in other communist countries, proves that communism has totally failed.

In contrast, the president pointed to the outstanding achievements of the ROC during the past four decades on the national recovery bastion on Taiwan. They prove that the nation's free and democratic system is effective and worth cherishing.

Only in a free society can the economy develop and can people enjoy prosperous and happy lives, President Li stressed.

During the party, the ROC president also exchanged opinions with the foreign guests on the international situation, the world economy and on issues relating to the nation's future agricultural and economic development.

[Words indistinct] they admired the ROC's staunch anti-communist position and President Li's penetrating understanding of the evil nature of communism. [passage omitted]

**President, Premier Inspect 'Drought-Hit' South**  
*OW2307213688 Taipei CNA in English*  
1523 GMT 23 Jul 88

[Text] Tainan, July 23 (CNA)—President Li Teng-hui, together with Premier Yu Kuo-hua and Taiwan Governor Chiu Chuang-huan, made a field survey of the farmland in drought-hit southern Taiwan Saturday.

An accomplished agricultural economist himself, President Li suggested that farmers whose fields still remain unplowed because of the drought should grow drought-resistant grass to improve the quality of their soil in preparation for the next crop season.

During his field trip to inspect the farmland in Tainan and Chiayi Counties affected by drought, President Li was told by water conservancy officials that Tsengwen and Wushantou—the two reservoirs supplying water to the Chiayi-Tainan area—now only have 50 million cubic meters of water left.

The shortage of water for irrigation in the two counties has forced farm activities for the year's second rice crop to a standstill on more than 17,000 hectares of land.

If the drought persists into the first half of August, the amount of water in the two reservoirs will drop further to 7 million cubic meters, thus forcing more farmers to let their crops wither and die. The industrial use of water will have to be cut by half, while water supply to households will also be reduced by 10 percent.

Accompanied by Tainan County Magistrate Li Ya-Chiao and two water conservancy officials, President Li, Premier Yu and Governor Chiu spent most of the day going from one rural village to the other in Tainan and Chiayi counties to examine the damage by drought. They also visited the Tsengwen and Wushantou reservoirs.

**Premier Yu Receives U.S. Senator Hatfield**  
*OW2307022588 Taipei CNA in English*  
1525 GMT 22 Jul 88

[Text] Taipei, July 22 (CNA)—Premier Yu Kuo-hua received U.S. Senator Mark Hatfield (R-Oregon) and his wife at the Executive Yuan Friday morning.

Yu explained to the Hatfields the efforts the Republic of China [ROC] has been making in recent years to redress the trade imbalance with the United States.

He said the ROC's trade surplus with the U.S. during the first half of 1988 has fallen 40 percent from the same period last year and the surplus for the year is expected to drop to US dollars 10 billion from last year's US dollars 16 billion.

**Distribution 'Beachheads' in U.S. Urged**  
*OW2507050788 Taipei CNA in English*  
0259 GMT 25 Jul 88

[Text] Taipei, July 25 (CNA)—The China External Trade Development Council (CETRA) urged domestic manufacturers and traders Sunday to accelerate the establishment of sales and distribution networks in the United States to meet the changing procurement patterns of larger U.S. companies by increasing quantities of import items readily available in the U.S.

CETRA pointed out that in view of the appreciation of the New Taiwan dollar and the strong demand for Taiwan-made goods in U.S. markets, many large-sized U.S. chain companies and department stores have adopted a "short-bit" policy of purchasing small-quantities of a large varieties of Taiwan-made goods from U.S. importers in order to reduce inventories and to free capital.

Domestic businessmen should actively set up distribution beachheads in the United States in order to meet the new trend and to further expand their American markets.

Exports of "small quantities but large varieties" will also be a good way for domestic traders to control their markets in the U.S., CETRA emphasized.

**Stance Maintained in U.S. Farm Trade Talks**  
*OW2607042988 Taipei CNA in English*  
0306 GMT 26 Jul 88

[Text] Taipei, July 26 (CNA)—The free import of American "whole turkey" will be permitted but turkey offals will still be restricted. The Republic of China [ROC] will clearly explain this established policy to the United States during the Aug. 2-3 agricultural talks, a ranking agricultural official said Monday.

Applications for the import of American turkey offals and parts will have to be made to the Government and will only be approved on a case-by-case basis, Koh Chin-chao, vice chairman of the Council of Agriculture, said.

Turkey meat, if found mixed with offals when importers report to the customs, shall be confiscated in accordance with the customs regulations, Koh stressed.

Koh said that since the restrictions on turkey offals are based on Article 40 of the Agriculture Development Statute, formally approved by the legislature, the ROC Government may well convince the U.S. side in the agricultural talks.



## Hong Kong

### XINHUA Representative Supports SRV Talks

HK2407023688 Hong Kong SOUTH CHINA

SUNDAY MORNING POST in English 24 Jul 88 p 2

[By Kenneth Ko]

[Text] China's top representative in the territory, Mr Xu Jiatun, yesterday praised the forthcoming direct dialogue between Hanoi and Hong Kong to resolve the problem of Vietnamese boat people.

Speaking before boarding a flight to Vancouver for a three-week visit to North America, the director of the local branch of the NEW CHINA NEWS AGENCY [NCNA] made a brief but telling comment on the talks.

"Personally, I think it is a good move," Mr Xu said.

But he refused to comment when asked whether he thought the boat people problem would last beyond 1997.

The talks on Hong Kong's boat people and the possibility of their repatriation will be held in Hanoi from August 3-5.

Mr Xu was accompanied by a group of aides as he set off for the U.S. and Canada on what promises to be a hectic schedule.

He is said to have been planning the trip since soon after he was appointed director of NCNA's local office in 1983.

In the U.S. he will meet senior officials of the State and Commerce departments.

"The focus of the trip is to take a look at economic conditions in the two countries," Mr Xu said.

"That's the area we're most interested in."

He said he also would look into the development of capitalist societies in the U.S. and Canada.

Mr Xu also is expected to meet leaders of Overseas Chinese communities in the two countries.

One of the aides accompanying Mr Xu is the new head of the NCNA research department, Mr Zuo Mu, who formerly worked with the Economic, Technological and Social Development Research Center under the State Council.

Mr Zuo was one of two officials from the State Council recently appointed to the local NCNA branch.

Mr Zuo's appointment had been widely seen as a move by the State Council to streamline mainland-funded enterprises in Hong Kong, following allegations of malpractices by cadres sent here from China.

Mr Xu yesterday reiterated that Mr Zuo was in the territory to strengthen studies and knowledge of Hong Kong and was not related to mainland investigations of business malpractice.

Other aides for the trip include NCNA Vice-Director Mr Qiao Zonghuai, who is also a member of the Joint Liaison Group, and Foreign Affairs Department head Mr Ji Shaoxiang.

The visit is at the invitation of the Chinese Ambassador to Canada, Mr Zhang Wenpu, and the Chinese Ambassador to Washington, Mr Han Xu.

### XINHUA Officials Refuse To Meet Taiwan Group

HK2607081988 Hong Kong SOUTH CHINA

MORNING POST in English 26 Jul 88 p 3

[By Terry Cheng]

[Text] The local branch of the NEW CHINA NEWS AGENCY [NCNA] has refused to meet a group of Taiwanese journalists and opposition party members who are here en route to China.

And it is also understood the group is also likely to receive a cool reception from the Chinese on their 17-day visit to the mainland.

Since their arrival yesterday the group has been trying to set up talks with the NCNA, but sources said that up to late last night their request had not been accepted.

The 15-member group includes five assistants to prominent Democratic Progressive Party [DPP] legislators, a member of an American-based organisation advocating Taiwan's independence and two journalists working for the DPP's official organ and an opposition magazine.

Mr Daniel Huang, an assistant to the DPP caucus in the Legislative Yuan and the leader of the group, said the members were prepared to talk to anyone on the mainland during their fact-finding trip.

They plan to visit organisations and people handling Taiwan affairs, and several universities and research organisations in Beijing, Shanghai, Xian and Guangzhou.

A number of issues pertaining to reunification, including self-determination and independence for Taiwan, are expected to be raised during their meetings with the officials. However, Mr Huang said they were not prepared to quarrel with their hosts.

In Taipei, DPP Deputy Secretary General Mr Chiu Yi-jen said the five assistants to the party's lawmakers travelled "to enhance their own understanding about China, but they do not represent our party".

The group left Taipei for Hong Kong without much harassment from the Taiwan authorities.

Mr Huang said this indicated a relaxation on the part of the Kuomintang which had formulated a new mainland policy at its 13th Congress concluded earlier this month.

The policy still bans tourist trips to the mainland, but will consider allowing exchanges of media and cultural people. However, the Government has yet to approve regulations for implementing the policies.

Group members had said they would either be visiting family on the mainland or had obtained tourist visas for third countries from which they could enter China.

Journalists from several prominent newspapers including the INDEPENDENCE EVENING POST, the CHINA TIMES and the ECONOMIC DAILY NEWS, taking part in the trip listed Hong Kong as their destination in the trip.

Under existing law, it is still illegal for them to make the trips and they will be banned from leaving Taiwan for two years on their return.

The INDEPENDENCE EVENING POST sent two reporters to the mainland on an historic trip last year. A Government court case against one of the reporters and the newspaper's director has yet to be settled.

However, the journalists in the group expect the Government to turn a blind eye this time.

A Government Information Office official in Taipei said authorities were unaware of any reporters travelling to the mainland for news coverage.

**Liberal Group To Hold Beijing Talks on Basic Law**  
HK2407030688 Hong Kong SUNDAY STANDARD  
in English 24 Jul 88 p 2

[By Matthew Leung]

[Text] The umbrella organisation for local liberal groups—the Joint Committee on the Promotion of Democratic Government—has cleared all hurdles and will visit Beijing to discuss the Basic Law draft by the end of September.

THE STANDARD has learnt that the Hong Kong XINHUA office has only recently given the green light for the group to sell its political proposals for the future in the Chinese capital.

It will be the first official delegation from a political organisation to discuss the post-1997 mini-constitution in the Chinese capital since the publication of the Basic Law draft at the end of April.

The visit will coincide with the close of the five-month public consultation on the Basic Law draft in Hong Kong.

It is understood that some Chinese officials are reluctant to allow local political groups to take their cases on the Basic Law draft to Beijing.

They prefer to have the groups state their cases in Hong Kong and forward blueprints to the Basic Law Consultative Committee and mainland drafters who will visit the territory again in early September.

There have been several Basic Law delegations to Beijing but they were made up of trade unionists, educationists and professionals.

A delegation from the American Chamber of Commerce will go to Beijing in October to discuss the draft.

Members of the influential political group Meeting Point will be going on an "industrial study tour" to Harbin on August 1, but will also visit Beijing to meet senior Chinese officials on the Basic Law.

A leader of the coalition, Mr Yeung Sum, who is also chairman of Meeting Point, is asking interested liberals to join the delegation, which will probably be headed by Mr Szeto Wah, a legislator and Basic Law drafter. The delegation is scheduled to leave on September 27.

Other possible team members included Mr Li Wing-tat and Mr Fung Kin-kee, both vice-chairmen of the Association for Democracy and People's Livelihood, and Mr Mak Hoi-wah, a spokesman for the Joint Committee and the head of the Social Workers' General Union.

While in Beijing they will meet senior officials of the State Council's Hong Kong and Macao Affairs Office.

In addition to selling their "one-person, one-vote" package, the liberals will update Beijing officials on the general situation in Hong Kong, the confidence crisis and the brain drain problem.

They hope to ask Chinese officials for a breakdown of submissions received for various political options in the draft and push the "through-train" model concept—to have the first Hong Kong Special Administrative Region Government in place before the handover in 1997.

**Amnesty International Criticizes Basic Law**  
*HK2607082188 Hong Kong SOUTH CHINA  
MORNING POST in English 26 Jul 88 p 5*

[By Stanley Leung]

[Text] Amnesty International has already told Beijing that it feels human rights provisions in the Draft Basic Law are inadequate.

This was revealed yesterday by visiting deputy secretary-general of the London-based group, Mr Larry Cox.

He said a memorandum calling for major amendments to the draft was sent to the Chinese premier and the Basic Law Drafting Committee in Beijing last week.

Mr Cox is one of two Amnesty officials in Hong Kong to lobby the authorities for more human rights protection in the draft.

He is accompanied by Mr David Weissbrodt, a constitutional lawyer from the United States.

Mr Cox said the Amnesty memorandum focused on specific articles of the draft which appear to fall short of international human rights standards.

He said the group was particularly concerned about the arrangements regarding the future application of two United Nations treaties—the International Covenant on Civil and Political Rights and the International Covenant on Economic Social and Economic Rights—after 1997.

The Sino-British Joint Declaration states that the two Covenants as applied to Hong Kong shall remain in force after 1997, but Article 38 of the draft simply states that those provisions "shall be implemented through legislation by the Hong Kong SAR [special administrative region]".

Mr Cox said the draft arrangement was not adequate to guarantee that Hong Kong people enjoy the same protections as they do at present.

Amnesty also wants to see arrangements for individuals to bring complaints of alleged human rights violations to the Human Rights Committee which was formed under the Covenant to monitor its implementation.

And individuals should be given the right to challenge in court any violation of their basic rights and freedoms after 1997.

The draft, says Amnesty, does not guarantee the right to be free from arbitrary arrest, detention or imprisonment.

He is also urging drafters to delete the controversial Article 39 which "could undermine all other human rights protections".

It says "the rights and freedoms enjoyed by Hong Kong residents shall not be restricted unless prescribed by law. But such restrictions shall not go beyond the necessity for the maintenance of national security, public order, public safety, public health, public morals and for the safeguarding of the rights and freedoms of other persons."

Mr Cox warned that such a broad limitations clause could be used as a possible legal basis for nullifying all of the fundamental rights and duties of residents as provided in the draft.

**Basic Law Drafter Warns on 'Brain Drain'**  
*HK2407023888 Hong Kong SOUTH CHINA  
SUNDAY MORNING POST in English 24 Jul 88 p 3*

[By Vicky Wong]

[Text] Hong Kong should prepare psychologically and practically for the most extreme exodus possible of people leaving the territory because of uncertainty over 1997.

That is the opinion of Ms Liu Yiu-chu, a Basic Law Drafting Committee member and lawyer who includes among her clients many mainland companies and whose views sometimes reflect those of Beijing.

"However serious the brain drain during the transitional period and after, about six million people will remain here," Ms Liu said.

"And we will have to try to make a go of it with those six million."

Ms Liu noted that Hong Kong had nine years left before the resumption of sovereignty by China, and this would give the territory adequate time to prepare for any situation, including going to war.

"I would accept the possibility of all emigrants not coming back and work on that basis," she said.

"That will give the young people of Hong Kong an opportunity to fill the vacuum."

She said if Hong Kong assumed that no one who left returned, the territory would then be left mostly with a highly skilled labour force, while its middle management and professional ranks would be seriously depleted.

To tackle the problem, Hong Kong could actively pursue a policy of attracting expatriates to come and work in the territory.

"I expect Hong Kong will become even more cosmopolitan than now," Ms Liu said.

"We have no prejudices against race or foreign cultures. We just desire local people to be equal to others."



In addition to the expatriate policy, management training schemes, perhaps subsidised by the Government, could also be established locally to foster the expertise and skills needed to fill the vacuum.

According to Ms Liu, this might even lead to a management boom with talented young people who now either did not have opportunity, the resources or the time to better themselves, taking advantage of the training offered to rise up the ranks.

"I have great faith in the young people of Hong Kong," Ms Liu said.

"Old people are not doing anything, just making threats and sensational speeches, but not really helping Hong Kong to prepare for the possibility of bad times, for an emergency. Even if there is going to be outright war, we still have time, we have nine years."

#### Radical [subhead]

In the professions, Ms Liu said the situation could also be alleviated through many measures.

In the legal professions, for instance, pursuing an open door policy for any qualified lawyer wishing to practise in Hong Kong would bring in many people who currently were not eligible to work in the territory.

The ratio of solicitors to clerks could also be relaxed, perhaps to as high as 1:50 or 1:100.

The quality might suffer a little, but the drop need not be radical if the change in ratio was accompanied by other measures, such as computerisation, to maximise the use of professional time and expertise, Ms Liu said.

She warned that Hong Kong should psychologically prepare to expect the worst, but added that even if the territory suffered as a result of the brain drain during the first five or 10 years after 1997, that would still leave 40 years' for the situation to be reversed.

A confidential government study has indicated that about 48,000 residents would leave Hong Kong this year, nearly twice as many as original estimated.

This would be the highest level of emigration in the territory's history, since only 27,000 people were believed to have left last year, while the figures for 1986 and 1985 were estimated at 24,000 and 11,000, respectively.

The Government is acutely concerned by this, since many of those leaving come from Hong Kong's educated elite, with almost one out of two residents emigrating having either matriculated or obtained a university degree.

The report warned that if the trend continued, it would strip Hong Kong of its richest, middle and professional classes, as well as a considerable portion of its business and political elite.

The findings were compiled by a task force the Government set up some months ago to address the brain drain issue in a first attempt to tackle the problem.

Last week, an influential mainland magazine, *OUTLOOK WEEKLY (OVERSEAS)* played down the seriousness of the brain drain problem, as well as the existence of a confidence crisis in the territory.

It said that apart from the 1997 factor, traditional emigration patterns and the relaxed rules for gaining citizenship in foreign countries also accounted for the increase in emigrants.

**Jinan Governor Holds Hong Kong News Conference**  
*SK2307083388 Jinan Shandong Provincial Service*  
*in Mandarin 2200 GMT 15 Jul 88*

[Text] On the afternoon of 15 July, Provincial Governor Jiang Chunyun held a press conference in Hong Kong to introduce Shandong's favorable conditions and preferential policies for opening to the outside world and to welcome the friends in the five major continents to cooperate with Shandong. More than 30 journalists from more than 20 news agencies, newspapers, radio stations, television stations, and magazines attended the press conference.

At the press conference, Governor Jiang Chunyun told the Chinese and foreign journalists: Shandong is rich in surface and underground natural resources and is located in a superior geographical position, which bring about five favorable conditions for developing foreign trade and conducting economic and technological cooperation with foreign countries.

1. Shandong has abundant mineral resources. Some 122 varieties of mineral deposits have been discovered in Shandong Province, of which 74 have had their deposits proven. The total reserves of Shandong's mineral resources are 83 billion tons, with a total latent value of 2.1 trillion yuan. Without the boundaries of Shandong Province, one-third of the underground areas have coal deposits; petroleum and natural gas resources spread over all the western and northern parts of the province; gold reserves and output rank first in China; 80 varieties of non-metal mineral resources have been discovered, of which 45 have had their reserves proven; and the resources of building materials are particularly rich.

2. Shandong is rich in agricultural product resources. Shandong's vast territory teems with wheat, corn, paddy, beans, tubers, cotton, tobacco, hemp and flax, silkworm

cocoons, fruits, and vegetables. Last year Shandong's total output of grain, cotton, peanuts, and fruits all ranked second in the country.

3. Shandong has numerous marine resources. Along Huanghai and Bohai seas, on which Shandong borders, cold and warm currents meet and the Huang He empties into the sea. Along this sea areas, there are numerous planktons, with a total of 260 varieties of marine fish and shrimp. Shandong's output of marine delicacies such as prawns, trepangs, dried scallops, and abalones ranks first in China. Shandong's total area of shallow sea beaches reaches 25 million mu, of which only 700,000 mu have been utilized. The deep sea areas around the province's 299 islands have especially great potential in breeding marine delicacies. There are very abundant salt resources along the coastal areas, with the salt output ranking No. 1 in China; therefore, the prospects for developing the salt chemical industrial are very bright.

4. Shandong has many good ports and convenient transport facilities. Along the coastal area of Shandong, there are more than 20 big and small ports, with a total annual handling capacity of 50 million tons. Qingdao, Yantai, Longkou, Weihai, Shijiu, and Lanshantou ports have already opened to the outside world. Shandong has joined the ranks of the nation's best in the quality and density of its highways. Within the boundaries of the province, railway mileage reaches 2,042 km; Qingdao, Yantai, Jinan, Weifang, and Weihai airports have opened 17 domestic air routes; and communications facilities are improving rapidly.

5. Tourist resources are rich in Shandong. Having numerous cultural relics and beautiful mountains and rivers, Shandong is a big province for tourism in our country. The Confucian house, temple, and tomb have always been places the tourists must visit. Tai Shan, the first-class mountain in the world and one of China's five major mountains, has been listed as a natural heritage of the world by UNESCO. In addition, Jinan, the so-called spring city where 72 famous springs meet together; Qingdao, the so-called Switzerland of the Orient; Lao Shan, the sacred place of Taosim; Penglai, the so-called Elfland's Hill on the sea; the coastal cities of Yantai and Weihai; Weifang, the kite city of the world; and Linxi, the one-time capital of the Southern Qi Dynasty, are places praised by tourists at home and abroad.

Governor Jiang Chunyun said: To effectively accelerate the pace of opening to the outside world, we have adopted a series of preferential policies for foreign firms and some policies for improving the investment climate. These policies are: expanding and delegating to a maximum extent the powers of examination and approval to lower levels; implementing the policies of tax reductions and exemptions to safeguard the legitimate rights and interests of foreign firms; managing the foreign-invested

enterprises in line with international practice; positively improving the investment climate; and opening the real estate and banking markets.

Jiang Chunyun said: In recent years, new headway has been made in opening Shandong to the outside world. Thus far, Shandong has established friendly ties with 59 foreign countries and regions; has maintained trade contacts with 156 countries and regions; and has exported 1,100 varieties of commodities to foreign countries and regions. In 1987 the province earned \$2.97 billion in foreign exchange through exports; signed 1,469 contracts on utilization of foreign capital with foreign countries; attracted \$2.57 billion in foreign capital; imported 1,300 advanced technologies; and renovated 760 old enterprises. In addition, the contracting of projects abroad and labor service cooperation with foreign countries have been expanded to diverse trades, such as engineering construction, building materials, deep-sea fishing, aquatic products breeding, agricultural breeding, and medical treatment and hygiene. Foreign exchange revenues and expenditures were in balance, with a small amount of surplus.

Shandong's door is open to all of the five major continents. I hope that our friends in the Hong Kong press circle will extensively introduce Shandong's investment conditions and preferential policies and will act as go-between, provide information, introduce projects, and recommend talents for our current trade fair and exhibition and for organizing economic and technological cooperation with Shandong.

Governor Jiang Chunyun also answered journalists' questions at the press conference.

**Government Considering Full-Time Politicians**  
*HK2407030288 Hong Kong SUNDAY STANDARD*  
*in English 24 Jul 88 p 1*

[By Matthew Leung]

[Text] The Government is investigating the possibility of introducing full-time politicians to Hong Kong.

It is understood that the Chief Secretary, Sir David Ford, is assessing whether Hong Kong needs professional politicians in the run-up to 1997.

Government sources told THE STANDARD that Sir David recently asked senior officials to give their views on the idea.

But the administration is moving cautiously in this hyper-sensitive area for fear any wrong move could upset China and local businesses and industry.

Some feel the move could lead to a more adversarial political climate and affect social stability.

The Government has previously sought to prevent the emergence of full-time politicians.

Its plan last October to abolish legislators' \$9,000-a-month stipend but increase allowances by an equal amount was designed with this in mind.

But it has apparently revived the idea.

There is speculation the administration may want to introduce directly-elected legislators and full-time politicians at the same time, based on the decision in its White Paper in February to introduce 10 directly-elected seats to the Legislative Council by 1991.

Sources say the idea is at a very preliminary stage and considerable technical issues exist.

These include the question of whether full-time politics should include all tiers of government—the Legislative Council [Legco], municipal councils and district boards and their remuneration packages.

The idea would not necessarily earn the support of part-time politicians and representatives drawn into Legco through the mixed election and appointment system which is almost certain to continue at least until 1997.

One attraction of a full-time system is that it increases the opportunity for all levels of the community to take part.

The increasing workload of legislators also supports the idea of a full-time system because the demand on time and resources makes some prospective representatives think twice about participating in politics.

Legislators contacted by THE STANDARD had mixed reactions to the idea.

Legco member Mr Wong Po-yan said full-time politicians would bring more evil than good to the territory.

However, Urban Councillor Mr Lee Chik-yuet said the system should be introduced to Legco as early as 1991.

He thought it should be introduced in a gradual manner.

"The Government should allow a legislator to opt for being a professional or part-time politician," he said.

"If he wanted to be full-time, he could get a salary; if not, he could get an allowance."



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